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U.S. CONGRESS. HOUSE. COMMITTEE
ON AGRICULTURE.

Agricultural adjustment act of
1937. Report. (75th Cong. 2d sess.
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75TH CONGRESS
2d Session

} HOUSE OF REPRESENTATIVES

{ REPORT
No. 1645

★ MAR 9 1938 ★

U. S. Department of Agriculture

AGRICULTURAL ADJUSTMENT ACT OF 1937

NOVEMBER 27, 1937.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. JONES, from the Committee on Agriculture, submitted the following

R E P O R T

[To accompany H. R. 8505]

The Committee on Agriculture, to whom was referred the bill (H. R. 8505) to provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce, having had the same under consideration, report it back to the House without amendment and recommend that the bill do pass.

GENERAL STATEMENT

During the last 15 years, the problems which have beset agriculture have commanded the attention of every administration up to the present time. During these years, bills proposing solutions of these problems have been introduced in every Congress. Every such proposal has received the careful consideration of the committees of Congress charged with the formulation of agricultural legislation. In 1933, on the recommendation by such committees, the Agricultural Adjustment Act was enacted. That act was in operation just short of 3 years before its acreage-adjustment provisions were declared invalid by the Supreme Court. Thereafter the Soil Conservation and Domestic Allotment Act was enacted. That act had as its primary purpose the conservation and rebuilding of the soil resources of the Nation. It is accomplishing this purpose. The incidental effect which it has had on the acreage devoted to major soil-depleting crops has not, however, been sufficient to prevent the production of large surpluses, which, unregulated, have congested the channels of interstate and foreign commerce. Hence legislation in addition to the Soil Conservation and Domestic Allotment Act is necessary at this time.

Legislation to meet the present farm problem should not be focused on the control of acreage, except to the extent of the incidental control

brought about by inducing farmers to carry out recognized soil-conservation and soil-building practices on their farms. Such legislation should not be posited on an economy of scarcity. Nor should such legislation be designed to meet a temporary emergency. It should, on the contrary, encourage the abundant production of agricultural commodities, and provide for the storage of warehousing of the production above current needs in order to have such commodities available at reasonable prices in years of drought or other adverse conditions. Such legislation should, by means of loans, assist farmers to cooperate with Government in reaching this desirable objective. Such legislation should provide means of regaining our export markets in farm products to the end that such products may flow freely into the markets of the world. As an aid to accomplishing this purpose, and as a benefit to both farmers and consumers of farm products in the United States, it should provide means for examining the freight rate structure so far as it relates to freight rates on farm products. And finally it should encourage research into the possibilities of new uses and new markets for agricultural commodities in cooperation with the State agricultural colleges and other State agencies.

During the first session of the Seventy-fifth Congress, extended and careful consideration was given by the committee to various proposals which had been referred to it. It sought information with respect to these proposals, and their probable effects, in conference both with the leaders of the various farm organizations and with the representatives of the Department of Agriculture. During the adjournment of Congress virtually every member of the committee discussed the various proposals with the farmers in his district. Many of the members of the committee attended one or more of the hearings conducted by the Senate Committee on Agriculture and Forestry during the past summer and fall. The committee has also had the benefit of the many hearings, reports, and studies dealing with the farm problem which have been published during the last 15 years.

The bill (H. R. 8505) herewith reported approaches the farm problem on four major fronts. First. It strengthens the Soil Conservation and Domestic Allotment Act and more clearly defines the powers of the Secretary of Agriculture under that act. Second. It provides for loans on agricultural commodities in order to enable farmers to finance the storage and warehousing of commodities in years of excessive yields so that surpluses may be kept off the market, and so that in years of drought or other adverse conditions, supplies of agricultural commodities will be plentiful. Third. In years of excessive production it provides for the withholding from market in interstate and foreign commerce of surpluses of the five major non-perishable agricultural commodities for the purpose of removing the depressing effect which such surpluses exert on such commerce. Fourth. It provides means by which markets at home and abroad for agricultural products may be restored and new ones may be found. This can well be regarded as the most important single feature of the bill. While provision is made for handling excessive surpluses temporarily through moderate control features, the more important and fruitful approach to the solution of the farm problem is in expansion of domestic and foreign markets.

The bill makes it the duty of the Secretary of Agriculture to use the \$100,000,000 available annually under section 32 of the 1935 amendments in disposing of farm products at home, and in expanding foreign markets for surplus farm commodities and their products abroad. By paying small losses the committee feels that wider uses for such products can be found both here and in foreign countries. The bill contemplates means by which agricultural products may get to the markets more cheaply. The Secretary of Agriculture is given power to complain before the Interstate Commerce Commission with respect to rates, tariffs, and charges on agricultural products, and the Secretary is to aid cooperative associations in their complaints on such matters. Finally, the bill provides for research into the possibilities of new uses and markets for farm products.

The declaration of policy of the bill sets forth its objectives, which are to accomplish the above purposes.

CONSTITUTIONAL BASIS

The various provisions of the bill are within the Federal power under the Constitution.

SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT

The powers exercised under the Soil Conservation and Domestic Allotment Act have not been questioned during its existence. The amendments to it proposed in the bill do not change its principles. No one can doubt the existence of Federal power under the general welfare clause to spend money to preserve and improve the soil resources of the Nation. That certainly is a purpose "general, and not local," in Hamilton's phrase. Nothing in *United States v. Butler* (1936) (297 U. S. 1) indicates to the contrary. Nor does the *Butler* case deny the right to Congress to condition its payments for a general welfare purpose so that that purpose may be carried out.

LOAN PROVISIONS

The loan provisions find support in the Federal power to finance such objects of general concern as it deems necessary. That this power may be applied to financing of agriculture is settled by *Smith v. Kansas City Title and Trust Company* (1920) (255 U. S. 180).

MARKETING QUOTA PROVISIONS

The marketing quota provisions represent exercises of the power of Congress over interstate and foreign commerce. Citation of cases is unnecessary to show that Congress has the power to regulate marketing which occurs directly in interstate and foreign commerce. It is familiar doctrine, too, that the commerce power of Congress is not limited to the regulation of the actual movement of goods in interstate and foreign commerce. The power extends to encompass any object which burdens or affects interstate commerce, even if by so doing intrastate commerce is regulated. Federal power to remove restraints on interstate and foreign commerce is not limited to restraints which occur in that commerce. Thus future trading on commodities exchanges (*Chicago Board of Trade v. Olsen* (1923) 262 U. S. 1); meat packing (*Stafford v. Wallace* (1922), 258 U. S. 495); buying

and selling of livestock on a commission basis (*Tagg Brothers and Moorhead v. United States* (1930), 280 U. S. 420); intrastate transportation by railroad (*Shreveport case* (1913), 234 U. S. 342); conspiracies to restrain interstate commerce (*Bedford Cut Stone Company v. Stone-cutters' Association* (1927), 274 U. S. 37); *Local 167 v. United States* (1934), 291 U. S. 293); and unfair labor practices (*Labor Board v. Jones and Laughlin Steel Corporation* (1937), 301 U. S. 1); (*Virginian Railway v. Federation* (1937), 300 U. S. 515) do not constitute interstate commerce. Yet in each one of the above cases the exercise of Federal power has been upheld. The principle underlying such decisions is that the transactions to which the statutes there construed related did have a "direct and immediate" effect on interstate commerce.

The question of whether the connection between the subject regulated and interstate commerce is sufficiently close and direct to justify the regulation is one for Congress to determine. If there is a reasonable basis for a conclusion reached by Congress that the subject of regulation does affect interstate commerce, then the subject is one within Federal control and the exercise of the power is valid. The question then becomes one of determining whether the facts are such that Congress may reasonably conclude that the matters regulated do have an effect on interstate and foreign commerce.

As said by Chief Justice Taft in *Stafford v. Wallace* (1922) (258 U. S. 495 at p. 520):

Whatever amounts to more or less constant practice and threatens to obstruct or unduly to burden the freedom of interstate commerce is within the regulatory power of Congress under the commerce clause, and it is primarily for Congress to consider and decide the fact of the danger and meet it. This Court will certainly not substitute its judgment for that of Congress in such a matter unless the relation of the subject to interstate commerce and its effect upon it are clearly nonexistent.

See also Chief Justice Hughes in *Labor Board v. Jones and Laughlin Steel Corporation* (301 U. S. 1 at p. 37).

The studies during the past 15 years conducted by the committees of Congress amply demonstrate that there is more than a reasonable basis for concluding that the marketing of excessive supplies of the major agricultural commodities, tobacco, field corn, wheat, cotton, and rice, do have a direct and immediate effect on interstate and foreign commerce in these commodities as well as on interstate and foreign commerce generally. They demonstrate, too, that deficiencies in marketing farm commodities in interstate and foreign commerce result in diminutions of and burdens upon that commerce. These studies further demonstrate that if a regular even flow of such commodities into interstate and foreign commerce could be secured, then the disastrous consequences following such irregularity in marketing could be avoided.

Following the discussion of the marketing quota provisions relating to each of these commodities there are set forth analyses of statistics of the Department of Agriculture relating to each of these major commodities. From these figures it can be said that, to a greater or less degree, as applied to each of these commodities:

(1) The commodity is of such substantial volume, is so valuable, and the need for it is so essential for national well-being that if interstate and foreign commerce in the commodity can be regulated in the national public interest, it should be.

(2) Most of the commodity moves almost directly from the place where produced into markets outside the State or, in some cases, into foreign markets. In cases where it does not move immediately into interstate or foreign markets in the form in which produced, it does so move in another, slightly changed, form or it is sure to do so. In both these cases the commodity is produced for an outside market in some form.

(3) In every case marketing for ultimate consumption (in any form) in the State where produced is a negligible part of the whole production.

(4) In all cases the factors determining whether or not the commodity will be marketed, when it will be, and the price at which it will be, are factors referable solely to the national or international market for which it is sold—not the local market.

(5) Excessive supplies (regardless of their cause) overtax the facilities for moving the commodity, bring to the markets amounts which they cannot absorb, and cause financial distress to producers and others engaged in the industry.

(6) Diminution in interstate and foreign commerce in other articles from regions of production to farming regions follows disruption of interstate and foreign commerce in such commodities.

(7) Deficient supplies leave idle transportation and marketing facilities and cause unwarranted high prices to consumers.

(8) If the excessive surpluses can be kept off the interstate and foreign market in years of plenty and fed into it in years of low production, stable orderly flow of interstate and foreign commerce will be assured.

AMENDMENTS TO SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT

Sections 2, 3, 4, and 5 amend and strengthen the Soil Conservation and Domestic Allotment Act.

Section 2 of the bill amends sections 8 (b) and 8 (c) of that act as follows:

First. New standards upon which the amount of payments for soil conservation may be made is inserted in section 8 (b). Under these provisions the Secretary, in determining the amount of payments or grants of aid, may measure payments or grants to agricultural producers by their equitable share, as determined by him, of the normal national production of any commodity or commodities (1) required for domestic consumption, or (2) required for domestic consumption and export.

Second. In arid and semi-arid regions the authority to make payments or grants measured by treatment or use of the land for restoration and conservation and payments or grants on account of changes in the use of land shall be construed to cover water conservation and beneficial use of water on individual farms.

Third. A clearer rule relating to the appointment of local committees is stated. The amendatory provision provides that the local committees are to be composed of agricultural producers appointed by the Secretary on the advice and recommendation of the farmers in the locality who are participants in the soil-conservation program.

Fourth. The present act denies the power to the Secretary to enter into contracts binding on producers. The amendment omits this provision.

Fifth. A new provision is inserted requiring rules and regulations concerning payments or grants to be as simple and direct as possible, and payments are to be classified so far as practicable on two bases: First, soil-depleting crops and practices, and, second, soil-building crops and practices.

Sixth. A new subsection is inserted in section 8 relating to the ascertainment of acreage allotments in the case of cotton, wheat, rice, tobacco, and field corn. In the case of all these commodities paragraph (1) of new subsection (c) provides that the national and State allotments and the allotments to counties and other administrative areas are to be determined annually. In determining the amount of the national allotment which is to be apportioned to each State and the amount of the State allotment apportioned to the counties and other areas in the State, the average of the acreage during the previous 5 calendar years, in the case of cotton, tobacco, and rice, and during the previous 10 calendar years, in the case of wheat and field corn, is used. (This rule is subject to the qualifications set forth in paragraphs (2), (3), (4), and (5) relating to the particular commodities.) In all cases the allotments are to be increased by the acreage diverted under previous agricultural adjustment and conservation programs, and adjustments are to be made for abnormal weather conditions and trends in acreage during the 5- or 10-calendar-year period, as the case may be.

Paragraph (2) of the new section 8 (c) provides for the allotment to individual farms in the case of wheat and rice. Under this paragraph the local allotment is to be apportioned annually by the Secretary, through the local committee of farmers, among the farms in the county or area. Ninety-seven percent of the local allotment is to be allotted to farms so that the allotment to each farm shall be a prescribed percentage of the 5-year average of the tilled acres of the farm, and this percentage is to be the same for all farms in the county or area. Proportionate reductions in farm acreage allotments are provided in the case of farms on which the commodity has not been planted during all of the previous 5 years but has been planted during one or more of such previous 5 years. Three percent of the local allotment is to be apportioned to farms within the county or area on which wheat or rice has not been produced during any of the previous 5 years. In making farm allotments in the case of wheat or rice, the Secretary is to take into consideration the acreage on the farm devoted during the previous 5 years to the production of the other basic soil-depleting commodities.

Paragraph (3) of new section 8 (c) provides a new rule for the apportionment among the farms of the State acreage allotment for cotton. Ninety-five percent of the State acreage allotment is to be allotted by the Secretary annually to the counties or other administrative areas in the State. The local allotment is to be apportioned annually by the Secretary among the farms within the county, and the same rule is applicable as in the case of wheat or rice. Two and one-half percent of the State acreage allotment is to be apportioned to farms in the State which were not used for cotton production during any of the previous 5 calendar years. Two and one-half percent of the State acreage allotment (plus any amount not used for new farms)

is to be apportioned to owners, cash tenants, and fixed or standing rent tenants whose acreage allotment as otherwise determined does not exceed 15 acres.

In the case of field corn the allotment to any county or other administrative area is to be apportioned among the farms within the county or area on the basis of tillable acreage, type of soil, topography, crop-rotation practices, and production facilities.

In the case of tobacco, the State allotment is to be apportioned annually among the farms within the State on the basis of past production of tobacco, land, labor, and equipment available for the production of tobacco, crop-rotation practices, and the soil and other physical facilities affecting the production of tobacco.

Seventh. A new rule is provided under which if the acreage planted on a farm of any commodity is less than 80 percent of the farm acreage allotment for the commodity, the farm acreage allotment shall be (in lieu of the amount originally determined) 25 percent in excess of the planted acreage.

Eighth. Paragraph (7) of new subsection (c) provides a rule for determining normal yield per acre on any farm in the case of cotton, wheat, rice, tobacco, and field corn. The normal yield is to be the average yield for the commodity during the previous 10 calendar years, adjusted for abnormal weather conditions and trends in yields. If there is no actual yield or data are not available for any year, then an appraised yield is to be used as the actual yield. An exception to this provision provides for the elimination of any year of the 10-year period if, during that year, on account of drought, flood, insect pests, or other uncontrollable natural cause, the production is less than 75 percent of the average of other years.

Ninth. Subsection (c) of the Soil Conservation and Domestic Allotment Act has been amended to authorize the Secretary to condition his payments on the utilization of the land so as to permit conditions (in addition to others) which he finds will tend to effectuate clause (5) of section 7 (a) of the act, under which the Secretary is given authority to provide for the reestablishment and maintenance of parity of farm income.

REDUCTIONS IN PAYMENTS

Section 3 adds to section 8 of the Soil Conservation and Domestic Allotment Act a new subsection providing for reductions in large payments under that act. Under the new subsection, the excess of the amount of the payment over \$2,000 is subject to a reduction of 25 percent on that part of the payment. That is, if the payment would otherwise be \$2,500, the reduction applies to the excess \$500. There is excluded from the amount to which the reduction is to be applied amounts paid to a landowner which represent his tenants' or sharecroppers' share of the payment, and amounts which are the landowner's share in case the payment is made with respect to land operated under a tenancy or sharecropper relationship. The latter amount is excluded only if the division of payment between the landlord and his tenants or sharecroppers is determined by the local committee to be in accordance with the fair and reasonable standards of sharing in the locality. For the purposes of this new subsection, payment is computed separately for each year in the whole State, Territory, or possession. The determination of the Secretary as to the status of a

producer is final and his status or the status of his predecessor in interest as of January 1, 1937, is to be taken into account.

TENANT PROTECTIONS

Section 4 adds a new subsection to section 2 of the Soil Conservation and Domestic Allotment Act under which changes in the relationship between a landowner and his tenants and sharecroppers are not to increase over the previous year the amount of the landowner's payment. This provision is not to apply if on investigation the local committee finds the change in relationship between the landlord and his tenants or sharecroppers is justified and approves the change.

APPORTIONMENT OF FUNDS

Section 5 adds to section 15 of the Soil Conservation and Domestic Allotment Act a new paragraph under which the Secretary is to apportion the funds which he estimates will be available during any year among the major administrative areas established under that act. The apportionment to each administrative area is the amount which represents its proportionate share of the entire amount available, divided on the basis of (1) the acreage devoted to the major soil-depleting and major export crops; (2) the value of such crops; (3) the acreage devoted to agricultural production including dairying and livestock areas; and (4) the productivity of the land devoted to agricultural production. The subsection also provides that the amount expended in any such administrative area during the calendar year is not to exceed the amount apportioned to the area.

Section 6 of the bill provides that the amendments to the Soil Conservation and Domestic Allotment Act discussed above (except the amendment relating to the apportionment of funds) are to be effective for the first time under the 1938 program.

DEFINITIONS

Section 7 contains the general definitions used in the act. "Parity" as applied to prices for a commodity means the price which will give the commodity a purchasing power with respect to articles farmers buy equivalent to the purchasing power of the commodity in the base period. The base period for all commodities except tobacco is August 1909 to July 1914, inclusive. The tobacco base period is August 1919 to July 1929, inclusive. "Parity" as applied to income means the net aggregate income of farmers that bears to the income of persons other than farmers the relation that prevailed during the period August 1909 to July 1914, inclusive. The section also defines the terms "interstate and foreign commerce," "affect interstate and foreign commerce," "United States," "State," "Secretary," "Department," and "person." These are, in the main, the usual definitions found in Federal statutes.

Section 7 (b) requires the use by the Secretary of the latest available statistics of the Government in ascertaining total supply, normal year's domestic consumption, normal year's exports, reserve supply level, parity as applied to prices and income, and national average yields.

TITLE II. LOANS AND CONSUMER SAFEGUARDS**LOANS**

Section 201 authorizes the Commodity Credit Corporation to make loans on agricultural commodities, including dairy products. These loans are to be made on recommendation of the Secretary of Agriculture, with the approval of the President. The amount, terms, and conditions of loans are to be fixed with the approval of the Secretary and of the President.

The rate of loans on wheat and cotton may not be less than 55 percent of parity or more than 75 percent of parity. This provision applies only in the case of loans made on wheat or cotton produced on farms on which the acreage planted is not in excess of the applicable farm-acreage allotment.

The rate of loans on field corn may not be less than 55 percent of parity or more than 75 percent of parity. This provision applies only in case the corn is produced on farms on which the acreage planted is not in excess of the applicable farm-acreage allotment. This provision applies whether or not the corn is produced in the commercial corn-producing area as defined in the marketing quota provisions relating to field corn. If the corn is produced in the commercial corn-producing area and on a farm on which the acreage planted is in excess of the farm-acreage allotment, the rate is to be 70 percent of the rate otherwise established if farm marketing quotas are in effect on the crop.

No loan may be made on a commodity produced on a farm on which the planted acreage exceeds the applicable farm-acreage allotment. An exception to this provision is made to take care of the 70-percent rule set forth above and to permit loans on dairy products.

CONSUMER SAFEGUARDS

Section 202 provides that powers under the bill shall not be used to discourage the production of supplies of food and fiber sufficient to maintain normal domestic consumption as determined by the Secretary from the records for such consumption in 1920-29, taking into consideration increased population, quantities forced into domestic consumption because of decline in exports, current trends in domestic consumption and exports, and substitutes available. Due regard is to be given, in carrying out the bill, to the maintenance of a continuous and stable supply of agricultural commodities adequate to meet consumer demand at prices fair to both producers and consumers.

TITLE III. MARKETING QUOTAS

This title contains the provisions relating to marketing quotas which apply to tobacco, corn, wheat, cotton, and rice. The title also includes the provisions relating to the review of marketing quotas established under it. In general, it can be said that the title provides in the case of each of those commodities a method by which excessive supplies of the commodity may be prevented from entering into interstate and foreign commerce in years in which the effect of marketing such supplies would be to upset the orderly marketing of such commodity.

Under the bill the marketing quota provisions relating to each of the commodities is set forth in a separate part. The various parts contain some provisions which are similar and are treated together here. Each part has its legislative findings which describe the effect on interstate and foreign commerce of the marketing of excessive and deficient supplies. In the case of each commodity a definition of "total supply," "carry-over," "normal supply," and, except in the case of cotton, "reserve supply level" is set forth. Total supply is carry-over from the previous year plus estimated production. Normal supply is the 10-year average of domestic consumption plus exports, to which is added a percentage of that amount to assure a normal carry-over. Reserve supply level is an amount in excess of average domestic consumption and exports plus a carry-over adequate to insure domestic consumption and export needs at all times.

If the carry-over plus estimated production (total supply) exceeds the normal supply in the case of cotton, wheat, rice, and field corn, or exceeds the reserve supply level in the case of tobacco, by more than a stated percentage, marketing quotas go into effect. In the case of each commodity, after the determination of and announcement by the Secretary of facts on the basis of which marketing quotas are effective, he is to conduct a referendum of all farmers who would be subject to the quota on the commodity. If more than one-third of the farmers voting in the referendum oppose the quota, the quota becomes ineffective.

Each part has a provision for terminating or increasing quotas when the supply gets below an amount determined with reference to the amount which will be available for marketing. Each part (except field corn) requires the termination of marketing quotas if a national emergency or a material increase in export demand warrants such termination. Each part (except field corn) authorizes the Secretary to obtain information from persons acquiring the commodity from the farmer to enable the Secretary to carry out the part to which the commodity relates, and such information must be kept confidential. It can be disclosed only in a suit or administrative hearing involving the administration of the provisions.

There is inserted here a table which, in brief compass, sets forth the various important dates on which action is taken under the various marketing-quota provisions. An examination of this table will give more clearly than the technical explanation of the provisions of the bill an idea of exactly when the findings are made and announced and when the quotas are effective. Under the table the assumption is made that marketing quotas are to be in effect on the crop harvested in 1940; 1940 has been selected to avoid special rules fixed for 1938 and 1939 in certain cases.

	Tobacco		Field corn	Wheat	Cotton	Rice
	Flue-cured	Other kinds				
Quota goes into effect-----	July 1, 1940-----	Oct. 1, 1940-----	In August, 1940, not later than Aug. 15.	June 1, 1940-----	Aug. 1, 1940-----	Aug. 1, 1940.
Total supply, normal supply, and reserve supply level announced.	Not later than Dec. 1, 1939-----		Not later than Sept. 1, 1940	Not later than May 15, 1939.	Not later than Nov. 15, 1939.	Not later than Dec. 31, 1939.
National acreage allotment announced.	-----	-----	Not later than Feb. 1, 1940.	Not later than July 15, 1939.	Not later than Nov. 15, 1939.	
Commercial corn-producing area announced.	-----	-----	Not later than Feb. 1, 1940.			
Secretary finds total supply is excessive.	Nov. 15, 1939, as of the beginning of the marketing year then current.		Not later than Aug. 15, 1940, as of Oct. 1, 1940.	Not later than May 15, 1940, as of July 1, 1940.	Not later than Nov. 15, 1939, as of Aug. 1, 1939.	Not later than Dec. 31, 1939, as of Aug. 1, 1939.
Amount of national marketing quota is announced.	Prior to Dec. 1, 1939-----		In terms of a percentage of the acreage allotment not later than Aug. 15, 1940.	Not later than May 15, 1940.		
Referendum is conducted-----	Prior to Dec. 1, 1939-----		Prior to Sept. 5, 1940-----	Prior to June 1, 1940-----	Not later than Dec. 15, 1939.	Prior to Jan. 31, 1940.
Result of referendum announced.	Prior to Jan. 1, 1940-----		Prior to Sept. 10, 1940-----	Prior to June 1, 1940-----	Prior to Dec. 1, 1939-----	Prior to Feb. 15, 1940.
Quota becomes ineffective-----	July 1, 1941-----	Oct. 1, 1941-----	See sec. 326-----	July 1, 1941-----	Aug. 1, 1941-----	Aug. 1, 1941.

A discussion of each of the several parts of the title (to the extent that they vary from each other) is set forth under a heading relating to the commodity.

PART I. MARKETING QUOTAS—TOBACCO

The marketing quota provisions relating to tobacco divide the various kinds of tobacco according to their recognized classification by the Department of Agriculture. This part is applicable to each of these kinds of tobacco severally. That is, each kind of tobacco is treated as if it were a separate commodity. As used in the part, the word "tobacco" means "kind of tobacco," and the word "tobacco" is used in the same sense in this report. The kinds so included are flue-cured tobacco, fire-cured tobacco, dark air-cured tobacco, burley tobacco, Maryland tobacco, and cigar-filler and cigar-binder tobacco. A specification of the types of tobacco included in each of these kinds is set forth in section 303 (a).

Whenever on November 15 the Secretary finds that on July 1 (in the case of flue-cured) or October 1 (in the case of other kinds) the carry-over plus estimated production of tobacco exceeded the reserve supply level, he is to so announce and the marketing quotas are to be in effect for tobacco marketed during the marketing year next following. That is, for tobacco harvested in the next year. The reserve supply level of any kind of tobacco is 5 percent in excess of the normal supply. The normal supply is a normal year's domestic consumption and exports plus 175 percent of a normal year's domestic consumption and 65 percent of a normal year's exports.

In the announcement that a marketing quota shall be in effect the Secretary is to specify in pounds of tobacco the quantity which may be marketed during the marketing year next following. That amount is an amount which would make available for marketing during that year a supply of tobacco equal to the reserve supply level. This is the national marketing quota. It is an amount in pounds of tobacco. The Secretary's announcement must be made not later than December 1.

Within 30 days after the issuance of his announcement the Secretary is required to conduct the referendum.

A special rule is provided for the determination and announcement of any marketing quota for the 1938-39 marketing year. The determination of supplies is to be made as of January 15, 1938, and announced not later than February 1, and the announcement of the result of the referendum is to be made prior to March 1, 1938.

When the Secretary has determined the amount of the national marketing quota he is to apportion that amount as provided in section 305. This apportionment is for the purpose of dividing up the total amount which may be marketed from the production of the year among the States and among the farms in each State.

The amount of the national marketing quotas (less amounts for new farms, etc., under section 305 (c)) is to be apportioned by the Secretary among the several States on the basis of the total production of tobacco in each State during the 5 calendar years immediately preceding the year in which the quota is announced (sec. 305 (a)). In making such apportionment, he is to make adjustments determined to be necessary to make correction for abnormal conditions in production, for small farms, and for trends in production during the

5-year period, and on account of diversion from tobacco production under agricultural adjustment and soil-conservation programs. The amount so apportioned to each State is to be apportioned, through local committees of farmers, among farmers producing tobacco on the basis of their past production of tobacco; land, labor, and equipment available for tobacco production; crop-rotation practices; and soil and other physical facilities for the production of tobacco. A minimum marketing quota to farms is provided. (This minimum here discussed does not apply to farms producing tobacco for the first time within 5 years.)

The minimum allotment to a farm is a stated amount, or the farmer's highest base acreage, whichever is lower. The flat minimum is 3,200 pounds in the case of flue-cured and 2,400 pounds in the case of other kinds. The minimum amount based on highest base acreage is the average tobacco production of the farm during the preceding 3 years adjusted upward to equal the normal production of its highest tobacco acreage under the previous 3 years of adjustment and conservation programs.

Not to exceed 5 percent of the national marketing quota is to be allotted, through local committees, to farms on which tobacco is produced (to be marketed in the quota year) for the first time in 5 years, and to small farms to increase the allotments to them. This allotment is to be made on the basis of land, labor, and equipment available for tobacco production, crop-rotation practices, and the soil and other physical facilities affecting the production of tobacco. The allotment to the farms on which tobacco is produced for the first time in 5 years is not to exceed 75 percent of the allotment which would otherwise be made to the farm.

Farm-marketing quotas may be transferred but only in such manner and subject to such conditions as may be provided by the Secretary.

Any person who knowingly acquires tobacco from a producer if the tobacco is marketed by him from a farm in excess of the farm marketing quota, is subject to a penalty. The penalty is 50 percent of the market price, or 3 cents per pound in the case of flue-cured, Maryland, or burley, or 2 cents per pound in the case of all other kinds, whichever is higher. The purchaser, if he acquires the tobacco by purchase, may deduct the penalty from the purchase price. Penalties are to be remitted to the Secretary and are to accrue to the United States. Failure on the part of persons acquiring tobacco from farmers, or engaged in performing certain acts with respect thereto for farmers, to furnish information or keep records subjects the offender to a fine of not more than \$500.

The Secretary is given express authority to issue regulations with respect to the time and manner of the payment of penalties, the identification of marketings, and such other regulations as he deems necessary for the enforcement of the part.

EFFECT OF MARKETING ON INTERSTATE AND FOREIGN COMMERCE

The conclusion of the committee that the marketing of tobacco exerts a substantial and direct effect upon interstate and foreign commerce is more than justified by the following summary of the facts and figures relating thereto derived from available statistics of the Department of Agriculture.

ECONOMIC DATA RELATING TO TOBACCO

There are some 750,000 farm families engaged in the primary industry of producing and marketing tobacco. Receipts by these families for tobacco marketed during the period 1919-28 averaged about \$280,000,000 per year. Although each family places on the market all or substantially all of the tobacco which it produces, sales are made with scant knowledge of or regard for the action taken by other persons engaged in similar work.

Tobacco is sold mainly through warehousemen or commission merchants, except in the case of Maryland, cigar-leaf and the dark-air and fire-cured types of tobacco where sales are made at the farm or through producers' cooperative-marketing associations. The operations of this group deal directly with the sale of the tobacco by producers to representatives of manufacturers and leaf-tobacco dealers, generally at established places of business. Around 1,300,000,000 pounds of tobacco have been marketed annually in the United States and in Puerto Rico during the last 10 years.

Control and direction of the great part of the manufacture of tobacco products is in the hands of a limited number of corporations. The prices offered to farmers by these corporations determine the price level on the market, and the prices at which the manufactured products are sold are largely controlled by them.

The Federal Trade Commission in its agricultural income inquiry states that in 1934, 13 principal tobacco manufacturers purchased the equivalent of 64 percent of the crop, and the three largest of such manufacturers a quantity equal to 46.2 percent of the crop. These same 13 corporations sold over 97 percent of the cigarettes, over 90 percent of the smoking tobacco, over 75 percent of the chewing tobacco, and over 98 percent of the snuff produced in the United States in 1934. The three companies reporting, respectively, the largest sales of cigarettes, of smoking tobacco, of chewing tobacco, and of snuff accounted for 80.1 percent, 64.8 percent, 68.7 percent, and 95.3 percent, respectively, of the 1934 production of these products.

TOBACCO IS SOLD ON A NATION-WIDE MARKET AND MOVES ALMOST WHOLLY IN INTERSTATE AND FOREIGN COMMERCE

When tobacco is placed on the market by producers, it is purchased by buyers representing manufacturers and dealers located throughout the world. Immediately after purchase, tobacco is either moved by the purchasers to redrying plants or, in the case of types which do not require redrying, shipped to plants of dealers or manufacturers. The types which do not require redrying constitute about one-fourth of the total poundage of tobacco. Redrying requires only a few hours, the tobacco being moved through the plants as speedily as possible.

From two-thirds to three-fourths of all of the tobacco processed in the United States is purchased on the markets in States other than those where the processing occurs. The principal tobacco products, for example cigarettes, are made up of different kinds of tobacco blended in a manner designed to secure certain taste effects and burning qualities. These different kinds of tobacco, produced in different parts of the country are complementary to each other for some purposes and must move in interstate commerce before they can be

blended. Tables I and II appended hereto show the extent to which burley and flue-cured tobacco must pass in interstate commerce before being processed. Table III, which shows the number of establishments, by States, engaged in the processing of tobacco, is further corroborative evidence.

The average production of burley tobacco is indicated in table I, in the 3 years 1931-33 amounted to 376,352,000 pounds. In the States in which such tobacco was produced, the quantity processed was less than 18 percent of the total production therein.

The similar conditions are true with respect to flue-cured tobacco as indicated in table II. Production in the 3 years 1931-33 averaged 595,000,000 pounds. In the States in which such tobacco was produced, the quantity processed could not have exceeded about one-third of this amount. Actually the amount was much smaller as this figure of one-third is calculated without taking into account significant shipments of unprocessed tobacco among such States.

A preponderant amount of the kinds of tobacco other than flue-cured and burley tobacco also moves in interstate and foreign commerce. Commerce in fire-cured and dark air-cured tobacco is similar to commerce in flue-cured and burley tobacco. In 1935, 362 pounds of tobacco were processed in Maryland, while 27,935,000 pounds were produced in the State. A comparison for cigar-leaf tobacco similar to that shown for flue-cured and burley tobacco indicates that less than one-third of the total production of cigar-leaf tobacco is processed in the States in which the tobacco is produced.

Not only does the greater proportion of all types of tobacco move from the markets into interstate commerce, but large quantities of tobacco are purchased on the markets by foreign manufacturers on their own account and through orders placed with dealers. The total exports during the last decade amounted to a little over 70 percent of the domestic consumption of all tobacco.

FARMERS UNABLE TO ORGANIZE EFFECTIVELY FOR MARKETING OF TOBACCO

History reflects clearly the inability of tobacco farmers to organize effectively for the purpose of marketing their product. Numerous tobacco cooperative marketing associations have been formed by producers, and at some time during the last 2 decades one or more such associations has existed for types of tobacco covering over 95 percent of the total tobacco production of the United States and Puerto Rico. Although these associations have attempted progressively to benefit from the experience of previous associations, to date practically all of them have failed to bring about orderly marketing of their tobacco. Most of them have discontinued operation entirely.

Probably the prices offered for tobacco in any year are calculated to bring forth marketings in subsequent years in line with the quantity of tobacco desired. Farmers are unable, however, to recognize the limits of the market or to act collectively in offering on the market this desired quantity. They tend, because of fixed costs and available production facilities, to produce a maximum quantity of tobacco without regard to market demands. As a result, marketings frequently exceed the quantity desired and in order to avoid recurrence of a similar situation as well as to offset larger handling and storage charges buyers pay prices which may be disastrously low for farmers.

There is little if any relationship between the prices received by farmers and the price paid by the consumer for manufactured tobacco products. The wholesale and retail prices at which tobacco products are sold are influenced by the unusually great amount of fixed or invariable elements of cost. For example, the Federal tax on a package of 20 cigarettes, weighing not more than 3 pounds per thousand, regardless of the quality, price of unmanufactured tobacco, and general business conditions, remains unchanged. In some instances advertising policies have been directed toward the creation of brand and taste preferences which would persist notwithstanding the stability of the retail price.

The average price received by farmers for all types of tobacco in the United States declined from 18.3 cents per pound in 1929 to 10.5 cents per pound in 1932, and as a result farmers' income from tobacco declined from 281 million dollars to 107 million dollars for the same period. At the same time, the wholesale price of cigarettes was advanced from \$6 per thousand to \$6.85 per thousand, and the profits of 52 leading tobacco manufacturers increased from 134 million dollars to 146 million dollars.

From the fact that manufacturers follow fixed-price policies (relatively), that the taxes on tobacco products do not vary, and that the demand for manufactured tobacco is relatively inelastic, the normal response to lowered farm prices, i. e., increased consumption with the consequent elimination of surpluses, does not follow. In fact, as the quantity consumed is relatively constant, producers with excessive marketings are in an unusually weak bargaining position and may suffer from unduly depressed prices which react on them but do not greatly alter the level of consumption.

The conditions attached to the marketing of tobacco widely affect those persons to whom farmers may become indebted. The interests of the bankers, merchants, fertilizer dealers, and insurance companies lie in the existence of a satisfactory market for tobacco. The impairment of income resulting from the disorderly marketing increases the hazards of those who extend credit to farmers engaged in production and marketing of tobacco.

Table IV indicates the number of farms changing ownership through voluntary sales, tax-delinquency sales and mortgage-foreclosure sales and bankruptcy. It will be noted that voluntary sales declined drastically as a result of the disorderly situation existing during years of excessive marketing while the number of tax-delinquency sales and mortgage-foreclosure sales increased very substantially.

The number of bank suspensions in those States in which the sale of tobacco affords an important source of income has been excessively great in those years in which a disorderly situation has existed in these markets. Table V shows that, in five important tobacco States, from 1929 to 1931 while the farm value of tobacco was reduced by more than one-half, the number of bank suspensions trebled.

As in the case of other agricultural commodities, the quantity of tobacco which farmers have to market is influenced by natural causes beyond their control. Statistics with respect to tobacco production indicate that, notwithstanding the fact that the plants are transplanted from seedbeds to the field and the crop undergoes intensive tillage, the yield per acre of all tobacco has varied within the last 10 years from a low of 725 pounds in 1932 to a high of 903 pounds in 1935. Furthermore, the annual acreage is influenced by weather conditions

when the plants are set and by the effect of disease on plants. The lack of moisture or attacks of disease may substantially reduce the acreage of tobacco planted, and conversely, very favorable conditions may result in plantings larger than usual. Under such circumstances disorderly marketing conditions can very easily develop in years of high yield.

DISORDERLY MARKETING AFFECTS INTERSTATE AND FOREIGN COMMERCE

The disorderly marketing of tobacco affects the volume marketed in interstate and foreign commerce during a particular marketing season as well as in subsequent years. It causes overcrowding and congestion of existing facilities. Some of the lower grades of tobacco which normally are marketable remain unsold. With large and burdensome stocks on hand, manufacturers and dealers offer lower prices. As a consequence, marketings by farmers in subsequent years are reduced. Under such conditions, with no means of regulating marketings, farmers often produce for market more or less than can be handled in an orderly manner.

Disorderly marketing which causes sharp reductions in the price of tobacco tends to injure and destroy commerce therein. For example, a survey conducted in Virginia showed that growers of flue-cured and fire-cured tobacco were unable to market from 8 to 15 percent of their 1931 and 1932 crops. With improved market conditions, growers estimated that less than 2 percent of the 1933 and 1934 crops was not sold. While similar estimates are not available for other States, in all probability a considerable quantity of tobacco could not be sold from the 1931 and 1932 crops.

Disorderly marketing of tobacco has created such intolerable conditions in the areas affected as to result in some instances in physical violence, or complete stoppage for a period, of the normal marketing process. Notable instances of this were the difficulties which culminated in the so-called night rider activities in the tobacco areas of Kentucky and Tennessee; the widespread closing of tobacco markets for varying periods of time, which followed the drastic declines of tobacco prices after the World War; and a similar closing of auction markets because of low prices during the early part of the 1933 tobacco-marketing season.

With the inauguration of the Agricultural Adjustment Administration tobacco program including the 1933 marketing agreements, designed to adjust marketings to demand, immediate relief was experienced in dealing with the latter situation. Markets were reopened; the spoilage of tobacco on markets was stopped; prices were advanced to levels acceptable to farmers; and an orderly flow of tobacco in the commerce was resumed. A basis of the willingness of tobacco manufacturers to pay higher prices on the market for the 1933 crop than had been paid prior to the closing of the markets, was the assurance which they had that the operation of the tobacco program with respect to the 1934 crop would tend to keep the quantity of that crop offered on the market in line with demand.

Disorderly marketing causes a disparity between the price for this commodity and industrial products, with a consequent diminution of the volume of commerce in industrial products. Table VI, which shows the relation of farm income to new car registrations, shows in

a forceful manner the reduction of trade which follows the diminution of agricultural income.

In 1926, when the total cash income of America's farmers was \$9,658,000,000 this group spent approximately \$2,867,000,000 for goods used in production and \$4,478,000,000 for goods for living. In 1932, when disorderly marketing conditions had reduced the cash income of farmers to \$4,201,000,000, they reduced their expenditures for goods for use in production to \$1,351,000,000 and their expenditure for consumers' goods to \$1,302,000,000. The decline in trade associating with disorderly marketing conditions in agriculture, as well as the growth of trade associated with orderly conditions, is very vividly shown by the extent to which carloadings destined from industrial areas for the southeastern agricultural area increased rapidly from 1932 to 1933 and 1934.

Total shipments, by groups of commodities

Group	Year 1 (July 1, 1932, to June 30, 1933)	Year 2 (July 1, 1933 to June 30, 1934)	Percent of increase year 2 over year 1	Year 3 (July 1, 1934, to June 30, 1935)	Percent of increase year 3 over year 2	Percent of increase year 3 over year 1
	<i>Pounds</i>	<i>Pounds</i>		<i>Pounds</i>		
Agricultural-----	56,473,000	99,278,000	75.8	136,480,000	37.5	141.7
Domestic and personal-----	115,653,000	182,309,000	57.6	279,778,000	53.5	141.9
Industrial and commercial-----	821,431,000	1,179,189,000	43.6	1,604,107,000	36.0	95.3
General-----	1,100,499,000	1,445,052,000	31.3	2,121,363,000	46.8	92.8
Total-----	2,094,056,000	2,905,828,000	38.8	4,141,728,000	42.5	97.8

Total shipments of manufactured commodities from the industrial area into the southeastern region over four important railroads, as indicated in the above table, showed a gain of 38.8 percent in year 2, and 97.8 in year 3. The percentage increase was greatest in year 3 in the case of domestic and personal goods, the increase being 141.9 percent.

It is obvious from the foregoing that the disorderly marketing of an excessively abnormal supply affects, burdens, and obstructs foreign and interstate commerce.

TABLE I.—Tobacco, burley: *Distribution of production and processing by specified States*

State	3-year average production 1931-33 ¹	Percentage distribution of production	Amount processed in State ²	Percentage distribution of processed tobacco	Excess production over processed tobacco
United States total-----	<i>Pounds</i> 376,352,000	100.00	<i>Pounds</i> 268,200,000	100.00	<i>Pounds</i> 108,152,000
Indiana-----	10,706,000	2.84	8,000	.003	10,698,000
Kentucky-----	263,043,000	69.89	32,581,000	12.148	230,462,000
Missouri-----	7,187,000	1.91	26,957,000	10.051	-19,770,000
North Carolina-----	5,680,000	1.51	119,697,000	44.630	-114,017,000
Ohio-----	14,809,000	3.93	12,112,000	4.516	2,697,000
Tennessee-----	60,875,000	16.18	113,000	.042	60,762,000
Virginia-----	9,807,000	2.61	48,367,000	18.034	-38,560,000
West Virginia-----	4,024,000	1.07	151,000	.056	3,873,000
California-----	0	0	2,011,000	.750	-2,011,000
New York-----	0	0	381,000	.142	-381,000
All other-----	0	0	25,822,000	9.628	-25,822,000

¹ Compiled from reports of the Bureau of Agricultural Economics.

² Compiled from reports of the Bureau of Internal Revenue showing the amount of tobacco by types put into process by collection districts. Leaf from which stem was not removed was converted to farm weight on the basis of 1 pound processing weight being equivalent to 1.145 pounds farm weight. Leaf from which stem had been removed converted to farm weight on the basis of 1 pound processing weight being equivalent to 1.548 pounds farm weight.

These figures cover the period from Oct. 1, 1933, to Sept. 30, 1934.

TABLE II.—Tobacco, flue-cured; distribution of production and processing by specified States

State	3-year average production 1931-32 ¹	Percentage distribution of production	Amount processed in State ²	Percentage distribution of processed tobacco	Excess production over processed tobacco
	Pounds		Pounds		Pounds
United States total	595,087,000	100.0	282,500,000	100.0	312,587,000
California	0	0	8,192,000	2.9	-8,192,000
Florida	3,122,000	0.5	0	0	3,122,000
Georgia	42,887,000	7.2	0	0	42,887,000
Kentucky	0	0	25,708,000	9.1	-25,708,000
Missouri	0	0	848,000	.3	-848,000
New York	0	0	565,000	.2	-565,000
North Carolina	432,186,000	72.6	152,832,000	54.1	279,354,000
Ohio	0	0	5,933,000	2.1	-5,933,000
South Carolina	65,929,000	11.1	0	0	65,929,000
Virginia	50,963,000	8.6	74,862,000	26.5	-23,899,000
All other	0	0	13,560,000	4.8	-13,560,000

¹ Compiled from reports of the Bureau of Agricultural Economics.² Compiled from reports of the Bureau of Internal Revenue showing the amount of tobacco by types put into process by collecting districts. Leaf from which stem was not removed was converted to farm weight on the basis of 1 pound processing weight being equivalent to 1.129 pounds farm weight. Leaf from which stem had been removed converted to farm weight on the basis of 1 pound processing weight being equivalent to 1.447 pounds farm weight.

TABLE III.—Number of factories manufacturing tobacco products

District	Number of factories ¹			
	In business Jan. 1, 1935	Opened	Closed	In business Jan. 1, 1936
Arkansas	1	0	0	1
First California	13	0	0	13
Sixth California	14	2	3	13
Colorado	2	0	0	2
Connecticut	9	0	0	9
Delaware	1	0	0	1
Florida	3	2	1	4
Georgia	1	0	0	1
First Illinois	51	5	6	50
Eighth Illinois	42	1	8	35
Indiana	30	3	1	32
Iowa	18	1	2	17
Kansas	5	0	1	4
Kentucky	41	5	6	40
Louisiana	1	0	1	0
Maryland	2	0	0	2
Massachusetts	28	1	4	25
Michigan	23	1	4	20
Minnesota	23	1	4	20
First Missouri	11	0	1	10
Sixth Missouri	1	0	0	1
Montana	3	1	0	4
Nebraska	7	1	0	8
New Hampshire	2	0	0	2
First New Jersey	1	0	0	1
Fifth New Jersey	13	2	2	13
First New York	21	0	0	21
Second New York	44	3	3	44
Third New York	9	1	1	9
Fourteenth New York	9	0	1	8
Twenty-first New York	32	0	2	30
Twenty-eighth New York	27	3	5	25
North Carolina	12	1	0	13
First Ohio	17	1	2	16
Tenth Ohio	8	1	1	8
Eleventh Ohio	1	0	0	1
Eighteenth Ohio	37	0	6	31
Oregon	2	0	0	2
First Pennsylvania	65	8	7	66
Twelfth Pennsylvania	7	0	1	6
Twenty-third Pennsylvania	17	1	1	17

¹ Includes only those producing a taxable product, excluding 241 quasi manufacturers.

TABLE III.—*Number of factories manufacturing tobacco products—Continued*

District	Number of factories ¹			
	In business Jan. 1, 1935	Opened	Closed	In business Jan. 1, 1936
Rhode Island	4	1	0	5
South Carolina	2	0	0	2
South Dakota	1	0	0	1
Tennessee	17	2	5	14
First Texas	3	0	2	0
Second Texas	1	0	1	1
Utah	1	0	0	1
Virginia	8	0	1	7
Washington	1	1	1	1
West Virginia	6	1	0	7
Wisconsin	40	0	2	38
Total, 1935	738	50	86	702
Total, 1934	765	65	92	738
Increase	0	0	0	0
Decrease	27	15	6	36

Source: Annual Report of the Commissioner of Internal Revenue, 1936.

TABLE IV.—*Number of farms changing ownership by various methods*

[Number per 1,000 farms]

	Virginia	North Carolina	Georgia	Kentucky	Tennes- see	United States
Voluntary sales and trades ¹ —12 months beginning Mar. 16:						
1929	16.3	19.1	17.5	30.0	18.5	23.7
1930	13.7	16.5	10.9	27.2	16.7	19.0
1931	9.8	11.0	10.6	19.0	18.0	16.2
1932	14.6	13.5	16.2	21.0	19.5	16.8
1933	12.6	19.0	18.8	20.1	20.0	17.8
1934	16.8	20.0	18.6	23.4	23.5	19.4
1935	20.6	25.4	21.7	28.9	28.7	24.0
Delinquent tax sales—12 months beginning Mar. 16:						
1929	2.6	10.8	5.5	6.4	2.3	5.1
1930	6.7	22.3	5.9	10.3	3.6	7.4
1931	9.5	35.6	10.0	21.9	10.1	13.3
1932	15.3	45.8	13.7	17.0	14.5	15.3
1933	13.6	25.1	11.9	10.1	8.4	11.1
1934	5.1	17.3	6.5	6.9	5.6	7.3
1935	3.8	10.7	4.0	5.5	4.1	5.9
Foreclosure of mortgages, bankruptcy, etc. ² —12 months beginning Mar. 16:						
1929	10.4	15.0	18.5	12.6	8.8	15.7
1930	15.2	20.0	27.4	12.1	10.9	18.7
1931	29.3	32.6	26.8	17.9	23.0	28.4
1932	28.0	40.8	34.9	31.0	34.2	38.8
1933	19.6	29.6	24.3	16.1	24.2	28.0
1934	14.6	15.0	11.8	14.9	16.7	21.0
1935	15.1	15.2	12.5	15.8	14.3	20.3

¹ Including contracts to purchase (but not options).² Including loss of title by default of contract, sales to avoid foreclosure, and surrender of title or other transfers to avoid foreclosure.

Compiled from reports of the Bureau of Agricultural Economics.

TABLE V.—Number of bank suspensions and farm value of tobacco, Kentucky, Tennessee, Virginia, North Carolina, and South Carolina, 1922-32

Year	Total for 5 States	Farm value of tobacco	Year	Total for 5 States	Farm value of tobacco
1922	28	\$232, 200, 000	1930	189	\$162, 200, 000
1923	51	222, 200, 000	1931	192	99, 800, 000
1924	49	181, 600, 000	1932	124	86, 400, 000
1925	74	179, 300, 000	1933	224	156, 700, 000
1926	79	183, 900, 000	1934	4	198, 500, 000
1927	68	197, 600, 000	1935	3	200, 300, 000
1928	48	215, 300, 000	1936	6	203, 300, 000
1929	62	215, 500, 000			

TABLE VI.—Farm cash income¹ and registrations of new motor cars² in principal tobacco producing States

	1928-29	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36
Virginia:								
Farm income	146	156	104	83	62	78	91	106
Registrations	65	68	46	32	22	34	50	61
North Carolina:								
Farm income	279	231	177	116	98	171	219	217
Registrations	74	56	36	26	22	48	65	66
South Carolina:								
Farm income	117	121	97	61	48	70	82	91
Registrations	34	30	19	11	10	23	27	29
Georgia:								
Farm income	193	207	156	90	64	103	120	134
Registrations	43	40	31	21	19	39	47	55
Kentucky:								
Farm income	175	172	118	91	74	81	95	107
Registrations	56	52	32	22	19	31	39	50
Tennessee:								
Farm income	161	161	109	85	67	85	95	102
Registrations	55	55	31	19	16	30	44	52

¹ Farm cash income covers crop year for crops and calendar year for livestock and livestock products. Rental and benefit payments made under Agricultural Adjustment Administration not included. Source: Bureau of Agricultural Economics.

² Registrations of new passenger cars and new commercial cars covering the period July-June. Source: R. L. Polk & Co., Detroit, Mich.

PART II. MARKETING QUOTAS—FIELD CORN

The marketing-quota provisions with respect to field corn operate in the following manner: The Secretary in each year before planting time announces the region which, under the rule laid down in the bill, constitutes the commercial corn-producing area. Under the bill the commercial corn-producing area includes all counties in which the average production of field corn, during the 10 calendar years immediately preceding the calendar year in which the area is determined, after adjustment for abnormal weather conditions, is 400 bushels or more per farm, and 4 bushels or more for each acre of farm land in the county. The Secretary is given power, under very definite standards, to include counties within, and exclude counties from, the commercial corn-producing area.

The Secretary, before planting time, also determines, on the basis of the average yield per acre in such area, the number of acres which, if planted to field corn in such area, will produce an amount of field corn which, together with the estimated production outside such area, will equal the reserve supply level. The reserve supply level is defined in the bill to be a normal year's domestic consumption and exports, plus 15 percent thereof, to insure adequate supplies in years of drought, flood, or other adverse conditions, as well as in years of plenty. After determining such acreage the Secretary allots it to the various counties in the commercial corn-producing area in accordance with the standard laid down in the bill. The county allotment is then apportioned by the Secretary, through the local committee, to farms within the county on the basis of tillable acreage, type of soil, crop-rotation practices, topography, and production facilities. The acreage allotted to a farm is known as the farm-acreage allotment.

Whenever the Secretary determines in any year from the statistics of the Department, including the August production estimates of the Division of Crop and Livestock Estimates of the Bureau of Agricultural Economics, that the total supply of field corn as of October 1 of such year will exceed the normal supply by more than 15 percent, he so announces, and thereupon marketing quotas are in effect in the commercial corn-producing area with respect to crop of field corn grown in such area in such year.

In his announcement the Secretary specifies, in terms of a percentage of the acreage allotment, the acreage in the commercial corn-producing area which, on the basis of the estimated yield, would make available, for the marketing year beginning on such October 1, a supply of field corn which, when added to the estimated production outside such area, would equal a normal supply. The percentage thus specified is spoken of throughout the corn provisions as the "marketing percentage." The difference between the marketing percentage and 100 is spoken of as the "storage percentage." The acreage planted in excess of the marketing percentage of the farm acreage allotment is spoken of as "surplus acres."

A farmer wishing to know how much field corn he may market from his farm has only to know (1) his farm acreage allotment, (2) the marketing percentage and the storage percentage specified in the Secretary's quota announcement, (3) the number of acres which he has planted to field corn, (4) his normal yield per acre, and (5) the number of acres of field corn which he used for silage. With this information, which every farmer has, he can very easily compute his farm marketing quota.

FARM MARKETING QUOTA AND STORAGE AMOUNT

Section 323 tells the farmer that his farm marketing quota, i. e., the amount which may be marketed from the farm, is his actual production less the storage amount applicable to his farm. Section 324 contains the rules for computing the storage amount applicable to the farm.

If no corn is used for silage, and the acreage planted to field corn exceeds the marketing percentage of the farm acreage allotment, the storage amount is the normal production of the surplus acres.

If corn is used for silage, and if the acreage devoted to silage exceeds the farm acreage allotment, the storage amount is the normal production of the acreage not used for silage.

If corn is used for silage, and if the acreage devoted to silage does not exceed the farm acreage allotment, the storage amount is the normal production of the planted acreage, if any, in excess of the acreage allotment, plus the normal production of the storage percentage of that part of the acreage allotment not used for silage. In no case where corn is used for silage can the storage amount exceed the amount which would be applicable if none of the corn were used for silage.

To prevent hardship in the case of farmers whose actual yield is below their normal yield, it is provided that in no case shall the storage amount exceed the difference between the estimated total production of field corn on the farm and the normal production of the marketing percentage of the farm acreage allotment.

EXEMPTIONS

No farm marketing quota with respect to field corn is applicable to any farm where the normal production of the acreage planted to field corn is less than 400 bushels.

No farm marketing quota, with respect to field corn, is applicable to any farm where the storage amount for the farm would be less than 100 bushels.

No farm marketing quota with respect to field corn is applicable to any farm where the acreage planted to field corn does not exceed the marketing percentage of the farm acreage allotment.

TIME OF QUOTA ANNOUNCEMENTS

The Secretary is required to make his quota announcement not later than August 15 of the year in which the quota goes into effect.

Whenever it appears from the September production estimates of the Division of Crop and Livestock Estimates of the Bureau of Agricultural Economics of the Department that the total supply of field corn as of October 1 will be less than the normal supply plus 15 percent thereof, the Secretary must announce such fact prior to September 20; and if farm marketing quotas have been announced, such quotas thereupon become ineffective.

REFERENDUM

Within 20 days after the announcement of quotas with respect to field corn, the Secretary is required to conduct the referendum as previously discussed.

PENALTIES

A farmer who, while any marketing quota is in effect with respect to any crop of field corn, markets any field corn from such crop in excess of his farm marketing quota, is subject to a penalty for the excess so marketed at the rate of 15 cents per bushel.

A farmer is presumed to have complied with his farm marketing quota with respect to any crop of field corn as long as there is stored

under seal on his farm an amount of field corn equal to the applicable storage amount. If there is not stored under seal on the farm an amount of field corn equal to the applicable storage amount, the farmer is presumed to have marketed field corn in excess of his quota to the extent that the amount stored is less than the applicable storage amount. In an action brought to collect the penalties the farmer has the burden of proving that he did not market field corn in excess of his quota.

ADJUSTMENT IN FARM MARKETING QUOTAS

The Secretary has the power to terminate quotas on field corn or increase quotas and decrease storage amounts in circumstances such as those outlined generally heretofore. In addition, in the case of field corn, release of storage amounts is provided for within counties or areas and on farms under circumstances where it can be said that there is an inadequate supply in the county or area, or on the farm, for feeding or market. These provisions are designed to provide an ever-normal supply for the county, area, or farm.

ANNOUNCEMENTS OF SUPPLIES AND COMMERCIAL CORN-PRODUCING AREA

The Secretary must ascertain and announce the total supply, the normal supply, and the reserve supply level for a marketing year, not later than September 1 of the calendar year in which the marketing year begins. The Secretary must ascertain and announce the commercial corn-producing area not later than February 1 of each year.

EFFECT OF MARKETING ON INTERSTATE AND FOREIGN COMMERCE

The conclusion of the committee that the marketing of field corn exerts a substantial and direct effect upon interstate and foreign commerce is more than justified by the following summary of the facts and figures relating thereto derived from available statistics of the Department of Agriculture.

ECONOMIC DATA RELATING TO FIELD CORN

Nearly one-third of all the land in the Nation from which crops are harvested is devoted to field corn. The value of an average crop is equal to 25 percent or more of the value of all crops.

Field corn is the basic grain used to produce the meat and other livestock products of the Nation. It represents over 75 percent of all the grain fed to livestock.

Nearly half an average crop is fed to hogs, and nearly one-quarter to cattle. About 10 percent is used for industrial purposes.

Nearly two-thirds of all the field corn grown in the United States is grown in the commercial producing area comprising all or parts of the States of Iowa, Illinois, Indiana, Nebraska, Minnesota, Ohio, Missouri, Kansas, Wisconsin, South Dakota, and Michigan. Statistics of the Department of Agriculture indicate that about 85 percent of the field corn grown in this commercial area moves in interstate commerce either directly or as livestock or livestock products. Less than 25 percent of the field corn grown outside the commercial pro-

ducing area moves off the farm where grown, either directly or as livestock or livestock products, and to a much lesser extent moves in interstate commerce. Consequently, nearly 90 percent of the corn transported in interstate commerce, either directly or as livestock and livestock products, is produced in the commercial producing area.

Of the corn sold by farmers in the commercial producing area as livestock and livestock products, substantially all moves in interstate commerce. Statistics of the Department of Agriculture indicate that about 95 percent of the hogs marketed from the typical commercial corn-producing State of Iowa move, either as live hogs or fresh or cured hog products, in interstate commerce. Similarly, such statistics indicate that over 80 percent of the cattle produced and over 70 percent of the eggs produced in Iowa are transported in interstate commerce. Nebraska, another important commercial corn-producing State produces 11 percent of all the hogs sold off farms. Statistics of the Department indicate that more than 90 percent of the commercial hog production of this State is transported in interstate commerce.

For the commercial corn-producing area as a whole, more than two-thirds of all the hogs not consumed on farms are transported in interstate commerce between this area and the remainder of the Nation, since this area raises 87 percent of all hogs sold for slaughter, but contains less than one-third of the population of the Nation. To this must be added the hogs and other livestock transported in interstate commerce within the area.

Wide fluctuations occur from year to year in field corn production. When field corn production is excessive, as, for example, during the years 1920 and 1921, when production amounted to 3,000,000,000 bushels a year, farmers greatly overexpand livestock production in an effort to profitably dispose of the grain. A further incentive in this direction is that livestock prices are high relative to the prices of field corn. As a result livestock production expands sharply. Since livestock cannot be held on farms for long after it is ready for market, the excessive supplies resulting from the surplus of field corn are forced into the channels of interstate commerce at sacrifice prices. This results in heavy losses to producers and to an excessive burden on the handling and processing facilities of the Nation.

The losses producers incur as a result of the overexpansion of livestock production cause them to contract such enterprises and the pressure to do so becomes even more irresistible when the supply of field corn is less than usual. The consequent curtailed supply of livestock moving into the channels of interstate commerce commands high prices from consumers and losses to processors by reason of the small volume available for processing. The high price of the small volume of livestock moving in the channels of interstate commerce shortly results in a repetition of overexpansion phases of livestock production. This phase is likewise accentuated when concurrent crops of field corn are large.

Charts prepared by the Bureau of Agricultural Economics indicate that following periods when the price of corn is high in relation to the price of livestock, marketings of livestock fall off, and periods when the price of livestock is high in relation to the price of corn are followed by greatly increased marketings of livestock. In other words, the movements of livestock in interstate and foreign commerce vary directly with the livestock-corn price ratio.

It is impossible to withhold livestock from market when supplies become excessive or to immediately increase the volume of livestock moving in the channels of interstate commerce if the supply becomes inadequate.

The flow must be governed by maintaining a uniform volume of livestock on farms being prepared for market. The only way in which this can feasibly be accomplished is by making unavailable for market, and for the feeding of livestock for market, excessive supplies of field corn when the production of such crop is abnormally large and by providing for a reserve supply for market and for the feeding of livestock for market when the supply is abnormally low. Such withholding and releasing will tend to maintain normal relationships between the available supply of field corn and livestock numbers. Such normal relationship will cause farmers to raise a normal volume of livestock and livestock products from one year to another. If a normal and regular volume of livestock and livestock products are raised on farms, marketings in interstate commerce will be regular and normal, and a stable and continuous flow of livestock and livestock products in interstate and foreign commerce will be maintained.

TABLE I.—*Corn: Utilization, 1910-14, and 1924-29*

[Bureau of Agricultural Economics]

Use	Percentage of crops		Use	Percentage of crops	
	1910-14, inclusive	1924-29, inclusive		1910-14, inclusive	1924-29, inclusive
Horses and mules on farms	17.4	13.9	Exports	1.7	0.8
Cattle on farms	16.2	19.3	Families on farms	1.2	1.0
Hogs on farms	36.8	41.6	Seed	.7	.7
Sheep on farms	1.0	1.0	Total	100.0	100.0
Poultry on farms	9.0	10.4			
Livestock not on farms	7.0	2.5			
Industrial and commercial utilization	9.0	8.8			

TABLE II.—*Domestic disappearance of corn for commercial and noncommercial purposes, average of crops 1928-32*¹

[Bureau of Agricultural Economics]

Item	Quantity	Quantity
Average of crops, 1928-32:		
Noncommercial (on farms):		
Horses and mules on farms	358,000,000	Bushels
Families on farms	32,000,000	820,000,000
Seed	19,000,000	
Hogs slaughtered on farms	234,000,000	
Dairy products utilized on farms	60,000,000	
Poultry products utilized on farms	117,000,000	
Commercial		1,676,000,000
Total domestic disappearance		2,496,000,000

¹ Does not include the corn fed to cattle and calves slaughtered on farms.

PART III. MARKETING QUOTAS—WHEAT

APPLICATION OF PART

This part applies to wheat. The Secretary is given authority in section 333 to treat as a separate commodity any regional or market classification, type, or grade of wheat if he finds such treatment necessary in order to carry out the act with respect thereto—that is, the acreage allotments and marketing quotas can apply to all wheat or only to particular kinds of wheat.

ACREAGE ALLOTMENT

The Secretary is required each year to ascertain the national acreage allotment for wheat. This amount is the acreage which, on the basis of the national average yield will produce an amount, together with carry-over, which will make available for the next marketing year a supply equal to the reserve supply level. Reserve supply level is a normal year's domestic consumption and exports plus 20 percent of such consumption and exports. He is to announce the national acreage allotment not later than July 15.

The national acreage allotment is apportioned among the several States on the basis of acreage during the previous 10 years. Adjustments are made to add acreage diverted under agricultural adjustment and conservation programs, and for abnormal weather conditions and trends in acreage. The State acreage allotments are apportioned among the counties or other local administrative areas in accordance with the same standard.

The local acreage allotment is apportioned, through the local committees, to the farms on the basis of tillable acres, crop-rotation practices, type of soil, topography, and production facilities. The allotment to the farm is reduced, if for any reason other than flood or drought, the acreage planted is less than 80 percent of the allotment. In such cases, the allotment is 25 percent above the allotment otherwise made.

MARKETING QUOTAS

If the Secretary finds in any year that the total supply as of July 1 of such year will exceed the normal supply by more than 25 percent, he shall announce that fact. The announcement must be made not later than May 15. Beginning on June 1 and continuing through the following June 30 marketing quotas will be in effect. The Secretary is also required to ascertain and announce the amount of the national marketing quota in terms of the total quantity of wheat and a percentage of the national farm acreage allotment which he determines will produce the amount of the national marketing quota.

The national marketing quota is the reserve supply level less the estimated carry-over and the estimated amount that will be used for seed or livestock feed.

The farm marketing quota is the aggregate normal production of the acreage determined by multiplying the farm-acreage allotment by the percentage specified in the Secretary's announcement.

EXEMPTIONS

No farm marketing quota is to apply to a farm if the normal production of the acreage planted to wheat is less than 200 bushels.

SUSPENSION OF QUOTAS

In addition to the provisions relating to suspension of quotas discussed generally above, in the case of wheat, a special rule is provided. The Secretary on the basis of the July or August estimates is to suspend quotas previously announced if the total supply was less than the normal supply plus 25 percent thereof.

TRANSFER OF QUOTAS

Farm marketing quotas for wheat are not transferable. In accordance with regulations, however, a farm marketing quota in excess of the supply of wheat for a farm may be allocated to other farms on which the acreage allotment has not been exceeded (sec. 340).

PENALTIES

Any farmer who during any marketing year markets wheat in excess of his quota for the farm on which the wheat was produced is subject to a penalty of 15 cents a bushel of the excess marketed. The penalties are to be collected and paid in such manner, at such times, and under such conditions as the Secretary may by regulations prescribe.

EFFECT OF MARKETING ON INTERSTATE AND FOREIGN COMMERCE

The conclusion of the committee that the marketing of wheat exerts a substantial and direct effect upon interstate and foreign commerce is more than justified by the following summary of the facts and figures relating thereto derived from available statistics of the Department of Agriculture.

ECONOMIC DATA RELATING TO WHEAT

Bread, together with other wheat products, constitutes a vital and basic food for the Nation. This vital necessity is used by practically every family in the United States and is produced on farms widely distributed throughout the Nation (table I).

The wheat produced is sold on a country-wide market. Throughout the country are scattered approximately 4,000 flour mills and over 13,000 grain elevators (table II). The great bulk of wheat received at the large primary markets has been transported to such points through the instrumentalities of interstate commerce. For example, over a period of years from 1921 to 1937, the percentage of the total annual receipts of wheat at the four large markets of Minneapolis, Duluth, Kansas City, Mo., and St. Louis, Mo., originating outside of the States of Minnesota and Missouri has never been below 60 percent and has gone as high as 91 percent for Minnesota and 88 percent for Missouri (table VI). Each State in the United States produces either more or less wheat than it consumes (table III). Wheat and flour are shipped either into or out of each State. In 1924-25 the

surplus wheat production in the surplus States amounted to 493,592 bushels. In addition to the fact that the great bulk of wheat moves in interstate commerce from the farms to terminal markets, a large part of such wheat moves in interstate commerce from such markets to milling centers and again in the form of flour from such milling centers to bakeries.

It appears from table I that the acreage seeded to wheat in 1936 in the States of Kansas, North Dakota, South Dakota, Nebraska, Oklahoma, Texas, and States west thereof, constituted over 75 percent of the acreage seeded to wheat in the United States in such year. However, table II indicates that only 20 percent of the number of flour mills in the United States are located in these States. Furthermore, statistics of the Department of Agriculture show that in these States there is milled less than 40 percent of all flour milled in the United States and that less than 18 percent of all the bread, rolls, etc., manufactured in the United States is manufactured in these States. It thus appears that, for the most part, wheat moves in interstate commerce from farms to markets, from markets to mills, and in the form of flour to bakeries and to the ultimate consumers, most of whom are in the industrial and urban centers east of the large producing areas.

Bran middlings and other byproducts of the flour-milling industry which are used for livestock feed further add to the volume of interstate commerce, as these feed products must be shipped from milling centers to livestock-feeding areas, many of which are not within the State in which the mills are located. The most important outlets for such mill feeds are in the eastern part of the United States in the deficit feed areas, which are likewise deficit wheat-producing areas.

Abnormally excessive supplies of wheat arising from either an unusually large carry-over or a large production has burdened and obstructed transportation facilities in the United States. This was demonstrated in 1922 and 1929 in the hard spring wheat area when the terminals serving this area became congested. The average carry-over on July 1 in country mills and elevators and in terminal markets for the 5-year period prior to 1929 was about 80,000,000 bushels. In 1929, however, these stocks jumped to the very high level of 180,000,000 bushels. Thus, before any of the hard spring wheat crop of 1929 began to move, the elevators at country points and terminal markets had over twice as much wheat as usual. The terminal markets were soon filled to capacity, cars of wheat arriving could not be unloaded, demurrage charges on boxcars mounted up at the expense of country shippers, and railroad sidings for hundreds of miles surrounding the terminal markets became congested with unloaded cars of grain.

As boxcars could not be moved to country shipping points, local elevators could not secure cars for the shipment of grain and they were forced to refuse the grain offered for sale by farmers. The farmers, in turn, without farm storage facilities had no way of caring for threshed grain. The result was a disruption of transportation facilities, loss to farmers through deterioration in the quality of grain, country and terminal elevators were unable to operate in a normal manner, and the cash price of wheat fell below the future price at terminal markets. This price relationship due to congested markets and transportation facilities was the reverse of the case under normal

marketing conditions when futures contracts for wheat are higher than cash prices.

When terminal markets become congested and transportation facilities are not available, wheat is forced upon the domestic consuming and export markets, thereby depressing the price at markets all over the United States as well as in foreign markets (table IV). The result is a lowered farm price not only for wheat finding an outlet in the United States but also for wheat entering into foreign commerce. When the volume of wheat marketings is abnormally low in any year, the unit cost per bushel of operation is relatively high and the result is a lower price to the farmers served by these local marketing agencies. Abnormally low marketings reduce the income secured by the railroads serving the farmers and elevators and unfavorably affect transportation services and facilities.

TABLE I.—Wheat: Seeded acreage (1,000 acres) and farms reporting wheat in United States

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
Maine.....	3	3	2	2	2	4	7	7	10	7
Vermont.....	2	1	1	1	1					
New York.....	304	336	247	213	213	204	241	285	297	290
New Jersey.....	63	58	55	55	53	52	50	53	59	63
Pennsylvania.....	1,049	1,100	997	1,016	970	938	961	990	1,024	1,054
Ohio.....	1,627	2,342	1,625	1,952	1,879	1,765	2,121	2,045	2,153	2,315
Indiana.....	1,930	2,386	1,633	1,705	1,746	1,515	1,660	1,883	1,945	1,888
Illinois.....	2,591	3,519	2,265	2,213	2,111	1,717	1,931	2,188	2,137	2,260
Michigan.....	817	571	802	746	745	741	911	899	887	843
Wisconsin.....	136	113	97	101	90	112	108	124	139	110
Minnesota.....	1,788	1,693	1,427	1,492	1,229	1,472	1,716	1,644	2,084	1,900
Iowa.....	462	579	438	442	368	301	271	374	428	470
Missouri.....	1,754	2,230	1,597	1,436	1,612	1,559	1,418	1,676	2,139	2,267
North Dakota.....	10,336	11,043	10,694	10,046	10,160	10,898	11,372	9,210	10,821	10,810
South Dakota.....	3,255	3,819	3,758	3,864	3,513	3,931	4,320	3,035	3,634	4,197
Nebraska.....	3,881	4,154	4,047	4,071	3,644	3,322	3,304	3,373	3,687	4,010
Kansas.....	12,750	12,761	13,142	13,687	13,898	12,963	13,231	12,699	13,456	14,264
Delaware.....	102	106	107	106	96	85	87	83	86	89
Maryland.....	497	511	514	493	445	414	419	416	439	461
Virginia.....	633	647	667	599	621	594	578	617	642	655
West Virginia.....	114	119	106	122	134	123	133	150	150	159
North Carolina.....	392	388	360	277	363	426	452	509	525	560
South Carolina.....	77	61	55	40	72	131	128	163	177	190
Georgia.....	98	69	51	30	64	137	140	175	201	217
Kentucky.....	275	383	209	220	235	360	364	442	468	468
Tennessee.....	413	431	292	222	296	349	376	435	488	475
Alabama.....	4	2	2	2	4	7	5	10	7	7
Mississippi.....	3	2								
Arkansas.....	29	23	18	20	61	58	55	67	134	82
Oklahoma.....	4,765	4,960	4,868	4,576	4,615	4,407	4,419	4,317	4,726	4,845
Texas.....	2,868	3,102	3,272	3,971	4,594	4,710	4,784	4,549	4,867	5,062
Montana.....	4,107	4,575	4,771	4,643	4,170	4,476	4,068	3,737	4,109	4,957
Idaho.....	1,290	1,342	1,329	1,251	990	1,188	1,064	949	1,025	1,145
Wyoming.....	309	369	368	364	389	385	372	272	374	450
Colorado.....	2,273	2,227	1,899	2,016	1,678	1,700	1,326	1,666	1,388	1,728
New Mexico.....	262	372	421	464	496	463	432	371	325	387
Arizona.....	31	22	18	17	24	37	44	57	44	48
Utah.....	238	258	270	296	291	275	257	243	248	275
Nevada.....	18	16	14	13	14	18	14	12	13	13
Washington.....	2,211	2,312	2,507	2,688	2,369	2,385	3,039	2,047	2,057	2,511
Oregon.....	1,111	1,045	1,104	1,071	988	1,022	1,525	991	1,016	1,145
California.....	794	802	791	667	695	669	782	799	798	923
United States.....	65,661	71,152	66,840	67,150	65,998	65,913	68,485	63,562	69,207	73,600

Farms reporting wheat in the United States in 1934 (1935 census)..... 1,363,741

Farms reporting wheat in the United States in 1929 (1930 census)..... 1,208,368

Source: Bureau of Agricultural Economics, Division of Crop and Livestock Estimates.

TABLE II.—*Flour mills and elevators¹ and warehouses, by States*

	Number of flour mills (1)	Estimated number of grain and bean elevators and warehouses ² (2)		Number of flour mills (1)	Estimated number of grain and bean elevators and warehouses ² (2)
Maine	4		North Carolina	147	50
New Hampshire	1		South Carolina	18	15
Massachusetts	1		Georgia	26	
Rhode Island		20	Florida	1	
Connecticut	1		Kentucky	165	10
New York	128	50	Tennessee	140	25
New Jersey	12		Alabama	8	
Pennsylvania	456	10	Arkansas	41	
Ohio	312	710	Oklahoma	45	615
Indiana	222	780	Texas	61	330
Illinois	93	1,470	Montana	52	580
Michigan	240	250	Idaho	48	250
Wisconsin	132	175	Wyoming	13	60
Minnesota	129	750	Colorado	42	180
Iowa	72	1,360	New Mexico	17	25
Missouri	174	650	Arizona	8	10
North Dakota	41	1,010	Utah	58	40
South Dakota	31	750	Nevada	9	5
Nebraska	102	980	Washington	44	520
Kansas	110	1,550	Oregon	48	160
Delaware	34		California	30	450
Maryland	123	70	District of Columbia	1	
Virginia	364	75	United States	3,907	13,985
West Virginia	103				

¹ Elevators at terminal points are not included in this list.² Only a limited number of elevators and warehouses handle beans exclusively.

Source: Column 1, The Northwestern Miller, vol. 191 no. 3, July 23, 1937. Column 2, compiled from directories of grain dealer associations, from lists of State public utility commissions and the National Code Authority for County Elevators.

TABLE III.—*Wheat: Surplus and deficiency, by States, 1924-25*

[Surplus (+) or deficiency (-) 1924-25]

	Bushels		Bushels
Maine	-3,239,000	North Carolina	-6,239,000
New Hampshire	-2,068,000	South Carolina	-5,562,000
Vermont	-1,667,000	Georgia	-10,241,000
Massachusetts	-18,872,000	Florida	-4,427,000
Rhode Island	-2,481,000	Kentucky	-6,676,000
Connecticut	-6,222,000	Tennessee	-5,884,000
New York	-48,037,000	Alabama	-8,778,000
New Jersey	-14,758,000	Mississippi	-6,399,000
Pennsylvania	-31,371,000	Arkansas	-6,034,000
Ohio	-2,062,000	Louisiana	-7,674,00
Indiana	+12,192,000	Oklahoma	+37,947,000
Illinois	-3,238,000	Texas	-981,000
Michigan	-532,000	Montana	+43,394,000
Wisconsin	-10,917,000	Idaho	+13,898,000
Minnesota	+17,234,000	Wyoming	+637,000
Iowa	-4,221,000	Colorado	+13,034,000
Missouri	+5,260,000	New Mexico	-322,000
North Dakota	+118,386,000	Arizona	-1,842,000
South Dakota	+27,074,000	Utah	+1,257,000
Nebraska	+45,383,000	Nevada	-60,000
Kansas	+131,634,000	Washington	+16,397,000
Delaware	+339,000	Oregon	+8,780,000
Maryland	+746,000	California	-16,533,000
Virginia	-1,502,000	District of Columbia	-2,364,000
West Virginia	-6,001,000	United States	+246,388,000
Sum of surpluses (+'s)		Bushels	493,592,000
Sum of deficiencies (-')			247,204,000

Source: U. S. Department of Agriculture Statistical Bulletin No. 12: Wheat and Rye Statistics, January 1926.

TABLE IV.—*Wheat: Supply and price, United States, 1923-24 to 1937-38*

Year beginning July	Total supply ¹	Market price ²	Farm price
	Bushels	Cents per bushel	Cents per bushel
1923-24	906,000,000	107.0	92.6
1924-25	979,000,000	145.3	124.7
1925-26	779,000,000	155.0	143.7
1926-27	932,000,000	138.3	121.7
1927-28	985,000,000	132.9	119.0
1928-29	1,026,000,000	110.6	99.8
1929-30	1,051,000,000	121.9	103.6
1930-31	1,176,000,000	77.1	67.1
1931-32	1,255,000,000	55.1	39.1
1932-33	1,132,000,000	57.0	38.2
1933-34	930,000,000	91.2	74.4
1934-35	816,000,000	106.3	84.8
1935-36	808,000,000	99.8	83.2
1936-37	805,000,000	121.2	100.7
1937-38	³ 990,000,000		

¹ Includes carry-in, new crop, and imports of wheat including flour.² Price of all classes and grades at 6 markets (Chicago, Minneapolis, Kansas City, Mo., St. Louis, Omaha, Duluth).³ Preliminary.

TABLE V.—Wheat: Receipts¹ at 11 primary markets 1921-36

Year beginning July 1—	Chicago	Milwaukee	Minneapolis	Duluth	St. Louis	Toledo	Detroit	Kansas City, Mo.	Peoria	Omaha	Indianapolis	Total
	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>							
1921	51,548,000	9,676,000	105,343,000	49,226,000	39,009,000	6,733,000	1,578,000	90,574,000	2,564,000	25,310,000	4,056,000	385,637,000
1922	51,660,000	3,631,000	133,830,000	65,541,000	40,605,000	10,472,000	1,797,000	77,634,000	4,355,000	25,336,000	5,155,000	420,166,000
1923	49,804,000	2,307,000	105,958,000	38,201,000	33,119,000	15,401,000	1,884,000	60,516,000	2,221,000	17,896,000	6,081,000	333,388,000
1924	70,899,000	8,334,000	104,037,000	111,194,000	104,037,000	12,334,000	1,915,000	89,444,000	2,095,000	29,120,000	4,336,000	478,555,000
1925	25,775,000	4,919,000	111,877,000	70,210,000	29,697,000	8,945,000	1,006,000	52,502,000	1,023,000	15,023,000	3,766,000	325,490,000
1926	39,062,000	6,867,000	98,148,000	58,061,000	33,312,000	14,715,000	2,677,000	92,740,000	1,314,000	21,482,000	5,023,000	339,435,000
1927	45,651,000	5,692,000	125,615,000	118,835,000	34,167,000	14,171,000	2,231,000	77,775,000	1,336,000	31,948,000	5,443,000	452,709,000
1928	33,755,000	5,626,000	121,833,000	108,293,000	53,231,000	14,118,000	1,836,000	106,417,000	2,411,000	37,427,000	3,452,000	488,334,000
1929	29,780,000	6,455,000	91,020,000	72,650,000	40,355,000	12,618,000	1,583,000	94,720,000	2,036,000	34,353,000	5,925,000	388,495,000
1930	43,397,000	9,396,000	101,930,000	81,737,000	46,197,000	11,612,000	1,612,000	101,634,000	3,059,000	50,020,000	5,224,000	455,985,000
1931	41,059,000	17,591,000	54,048,000	21,518,000	37,357,000	14,437,000	1,424,000	107,202,000	2,298,000	25,681,000	5,046,000	327,959,000
1932	13,102,000	2,625,000	73,235,000	52,966,000	17,989,000	9,519,000	1,435,000	60,113,000	1,170,000	13,156,000	4,021,000	290,877,000
1933	13,735,000	2,980,000	49,447,000	37,580,000	17,793,000	(1)	1,173,000	33,887,000	1,389,000	13,259,000	4,211,000	180,469,000
1934	22,854,000	3,712,000	37,887,000	17,037,000	14,825,000	(2)	891,000	28,165,000	1,539,000	10,721,000	4,659,000	142,320,000
1935	22,559,000	4,133,000	67,356,000	20,070,000	16,355,000	(2)	(2)	53,798,000	1,434,000	15,109,000	4,707,000	205,526,000
1936	24,095,000	3,623,000	38,299,000	11,109,000	16,340,000	(2)	(2)	65,006,000	2,379,000	19,906,000	3,948,000	218,155,000
1937												

¹ Compiled from Chicago Daily Trade Bulletin.² Discontinued.³ Includes receipts of 33,450,000 bushels at Sioux City, St. Joseph, and Wichita.

Source: Bureau of Agricultural Economics, Division of Statistical and Historical Research.

TABLE VI.—Wheat: Production and receipts at primary markets, Minnesota and Missouri, 1921-36

Crop year	Minnesota			Missouri		
	Production (1)	Receipts at Minneapolis and Duluth (2)	Receipts less production (3)	Production (5)	Receipts at Kansas City and St. Louis (6)	Receipts less production (7)
1921	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
23,225,000	154,568,000	131,344,000	85	35,096,000	129,583,000	94,487,000
1922	330,000	172,041,000	86	37,770,000	80,519,000	68
1923	864,000	120,295,000	83	37,371,000	93,635,000	56,264,000
1924	37,375,000	177,856,000	83	22,449,000	133,491,000	11,042,000
1925	798,000	162,057,000	84	23,689,000	82,199,000	53,510,000
1926	589,000	142,208,000	83	22,528,000	126,082,000	103,554,000
1927	470,000	244,470,000	91	15,628,000	111,942,000	96,314,000
1928	634,000	230,161,000	91	19,745,000	159,648,000	139,903,000
1929	224,000	163,670,000	87	15,250,000	132,075,000	116,825,000
1930	776,000	183,711,000	87	19,342,000	147,581,000	128,389,000
1931	8,011,000	75,866,000	76	31,913,000	144,559,000	112,646,000
1932	839,000	127,204,000	84	16,143,000	78,102,000	61,959,000
1933	665,000	87,027,000	81	17,019,000	56,685,000	39,666,000
1934	165,000	54,924,000	74	24,776,000	42,900,000	18,214,000
1935	676,000	87,126,000	77	25,648,000	70,153,000	44,305,000
1936	721,000	49,408,000	62	31,407,000	81,346,000	63
1937 1	34,711,000	-----	-----	42,531,000	-----	61

¹ Preliminary.

Source: Production, Bureau of Agricultural Economics, Division of Crop and Livestock Estimates; receipts, Bureau of Agricultural Economics, Division of Statistical and Historical Research.

PART IV. MARKETING QUOTAS—COTTON

ACREAGE ALLOTMENTS

This part does not apply to cotton, the staple of which is 1½ inches or more in length.

The marketing quota provisions with respect to other cotton operate in the following manner: In each year before planting time the Secretary announces a national acreage allotment for cotton. The national acreage allotment is the acreage which the Secretary determines will, on the basis of the national acreage yield per acre, produce an amount of cotton which, together with estimated carry-over at the end of the marketing year ending in the calendar year for which the allotment is made, will make available for the next marketing year a supply of cotton equal to the normal supply. The bill provides that the national acreage allotment shall not be less than 60 percent of the average acreage planted to cotton during the 10-year period ended December 31, 1932.

The national acreage allotment is apportioned by the Secretary among the several States, and the State allotments to the several counties or other administrative areas therein, in accordance with the standard laid down in the bill.

Ninety-five percent of the State allotment of any State is apportioned by the Secretary among the counties or other administrative areas in the State in accordance with such standard, and the county or area allotment is apportioned, through the local committee, among farms within the county or area on which cotton has been planted at least once during the 5 years immediately preceding the year for which the allotment is made. The allotment to each farm is a prescribed percentage of the average during the 5 years of the tilled acres of the farm, and this percentage must be uniform for all farms in the county or area. The allotment to a farm on which cotton has been planted during at least 1 of the 5 years is the proportion of the farm-acreage allotment which would otherwise be made which the number of such years bears to five.

The remaining 5 percent of the State allotment is made available for apportionment to farms in the State not used for cotton production during any of the 5 years above referred to, and to small farms, in accordance with the terms of the bill.

MARKETING QUOTAS

Whenever the Secretary determines that the total supply of cotton as of August 1 of any year exceeds by more than 15 percent the normal supply for the marketing year commencing on that date, the Secretary is directed to so announce not later than November 15. Thereupon marketing quotas are in effect for the marketing year beginning on August 1 of the following year with respect to the crop of cotton grown in such year.

AMOUNT OF FARM MARKETING QUOTAS

The amount of cotton which may be marketed from any farm is known as the farm marketing quota for the farm. This amount is the normal production, or the actual production, whichever is the

greater, of the farm-acreage allotment for the farm. Hence a farmer who does not exceed his farm acreage allotment for cotton is not subject to any marketing penalties, inasmuch as he may market all he produces on his farm acreage allotment.

PENALTIES AND ENFORCEMENT PROVISIONS

A person who markets cotton from a farm in excess of the farm-marketing quota, and a person who knowingly acquires cotton so marketed is subject to a penalty of 2 cents per pound of the excess so marketed, but not more than one penalty may be collected with respect to the same cotton.

The penalties are to be collected and paid in such manner, at such times, and under such conditions (either by requiring returns to be made and filed, or by stamps, coupons, tickets, books, tags, or other reasonable devices or methods necessary or helpful in securing a complete and proper collection and payment of such penalties or in properly identifying marketings which are free from penalties) as the Secretary may by regulations prescribe.

EFFECT OF MARKETING ON INTERSTATE AND FOREIGN COMMERCE

The conclusion of the committee that the marketing of cotton exerts a substantial and direct effect upon interstate and foreign commerce is more than justified by the following summary of the facts and figures relating thereto derived from available statistics of the Department of Agriculture.

ECONOMIC DATA RELATING TO COTTON

The preponderant part of the cotton produced in the United States normally enters into either interstate or foreign commerce as raw cotton shortly after its production and before it is processed and, with only negligible interruption, proceeds to its intrastate destinations. Table I shows by years from 1909-10 through 1936-37 the number of bales of cotton produced in the United States and the percentage of such production which has been exported. During the 5 years 1909-10 to 1913-14 exports averaged 67.8 percent of production; over the 10-year period 1923-24 to 1932-33, exports averaged 57 percent; in 1933-34, 61 percent of the production moved into foreign commerce, and in the 1936-37 crop year, 43.9 percent.

Table II shows cotton exports by customs districts and indicates that much of the cotton exported moves in interstate commerce from the point of production to the point from which it is shipped in foreign commerce. During the 5 years, 1931-35, a considerable part of the cotton exports cleared through customs districts entirely outside the Cotton Belt, having reached its point of export by either rail or water from other States.

In addition to the foreign commerce in cotton, the greater part of the crop which is consumed domestically travels in interstate commerce. Large quantities move by rail and by coastwise shipping from southern States into New England and other northern production areas. Even greater quantities move by rail from the northerly and

westerly parts of the Cotton Belt to mills in the Southeast. The Department's figures disclose striking disparities between the quantity of cotton produced and that consumed within the States in the Cotton Belt, especially in the States where cotton production is greatest. The States in the western part of the Cotton Belt consume practically negligible quantities in contrast to their tremendous production. The eastern States of the belt on the contrary consume larger quantities than they produce. The figures available to the Department indicate, however, that even these latter States send considerable quantities of cotton into other States and abroad and bring in cotton from other States to meet the requirements of their mills. These figures demonstrate the essentially interstate character of the marketing of cotton which results from the relative location of production areas and the facilities for processing cotton.

In past years, excessive supplies of cotton have been accompanied consistently by low prices for cotton. Periods of relatively small cotton production have brought to its producers higher aggregate farm incomes because the increase in the price obtained usually more than offsets the loss in total income due to crop curtailment. Increases and decreases in the farm price and farm value of cotton have been reflected consistently in corresponding increases and decreases in the industrial prosperity of the Cotton Belt (table III). Experience has shown that increased farm prices for cotton with the resultant increased purchasing power of cotton farmers and those engaged in the handling and processing of cotton have given rise to an enhanced demand in the Cotton Belt for industrial and nonagricultural products and have greatly stimulated interstate shipments of these products.

The improvement in cotton prices in 1933 and 1934 was accompanied by increasing general prosperity in the Cotton Belt. Rural bank deposits throughout the South increased in 1933, and made still further increases in 1934, 1935, and 1936. Carlot shipments increased to the sections of the country benefited by the higher cotton prices (table IV). Shipments of goods used primarily in agriculture showed the greatest increases. General interstate rail transportation by railroads serving cotton-producing States also showed recovery in 1934 (table V).

When large surpluses of cotton exist and prices are low the impossibility of marketing large portions of the supply profitably causes cotton to accumulate at concentration points within the State where it is produced, congesting storage and handling facilities. The effect of these excessive stocks carried over from years of abnormally high production, adversely affects both interstate and foreign commerce in later years as well as in the years when they accumulated. They tend to keep prices depressed even in years when production more closely approximates requirements, with the effects already described. Particularly in the case of foreign consumers, the practice has become established of accumulating large stocks at low prices in years of large production, and thus, when production falls off in later seasons, drawing on these stocks instead of buying from the new crop. Table VII illustrates the typical diminution of exports in years following those in which large crops are produced.

TABLE 1.—*United States cotton production, exports, and percentage exported, 1909-10 to 1936-37*

Crop year Aug. 1-July 31	Production	Exports	Ratio of exports to production
	1,000 bales of 478 pounds	1,000 bales of 478 pounds	Percent
1909-10	10,005	6,353	63.5
1910-11	11,609	8,027	69.1
1911-12	15,694	11,116	70.8
1912-13	13,703	9,146	66.7
1913-14	14,153	9,508	67.2
5-year average, 1909-10 to 1913-14	13,033	8,830	67.8
1914-15	16,112	8,702	54.0
1915-16	11,172	6,113	54.7
1916-17	11,448	5,525	48.3
1917-18	11,284	4,402	39.0
1918-19	12,018	5,774	48.0
1919-20	11,411	6,707	58.8
1920-21	13,429	5,973	44.5
1921-22	7,945	6,348	79.9
1922-23	9,755	5,007	51.3
1923-24	10,140	5,815	57.4
1924-25	13,630	8,240	60.4
1925-26	16,105	8,267	51.3
1926-27	17,978	11,299	62.8
1927-28	12,956	7,857	60.6
1928-29	14,477	8,419	58.2
1929-30	14,825	7,035	47.4
1930-31	13,932	7,133	51.2
1931-32	17,095	9,193	53.8
1932-33	13,001	8,895	68.4
10-year average, 1923-24 to 1932-33	14,414	8,215	57.0
1933-34	13,047	7,964	61.0
1934-35	6,636	5,037	52.3
1935-36	10,638	5,973	56.1
1936-37	12,399	5,440	43.9

Source: Bureau of Agricultural Economics, U. S. Department of Agriculture.

TABLE 2.—*Exports of domestic raw cotton and linters from the United States, by customs districts*

Customs district	Exports of domestic cotton and linters (running bales)				
	1935	1934	1933	1932	1931
Total	5,003,785	7,703,491	8,603,209	8,823,867	6,871,896
Cotton	4,798,539	7,534,415	8,419,399	8,707,548	6,759,927
Linters	205,246	169,076	183,810	116,319	111,969
Maine and New Hampshire	5,002	3,629	1,941	424	1,007
Massachusetts	9,403	11,687	7,203	5,488	6,729
New York	30,921	25,276	51,348	27,185	25,631
Philadelphia	1,491	9	920	154	122
Maryland	631			45	205
Virginia	17,674	17,820	40,128	52,308	90,284
North Carolina		17,902	32,508	43,422	55,844
South Carolina	125,781	110,943	226,165	160,426	181,112
Georgia	137,496	226,325	294,462	510,486	496,156
Florida	72,071	175,626	160,908	128,667	68,962
Mobile	194,932	241,198	415,312	568,788	284,831
New Orleans	972,133	1,363,449	1,720,422	1,407,321	1,029,850
Sabine	63,951	133,099	186,374	100,363	86,878
Galveston	2,519,716	4,495,290	4,770,098	5,038,171	3,465,255
San Antonio	292,807	381,205	322,694	346,035	527,452
Arizona					
San Francisco	60,964	59,811	39,594	46,765	60,617
Oregon				1,482	
Washington	257	317	596	1,083	15,204
Idaho-Montana					
Dakota	813	1,243	1,825	1,453	3,324
Duluth and Superior	72	224	368	392	309
Michigan	162,102	191,043	133,372	140,893	150,295
Ohio					42
Buffalo	13,836	17,796	8,733	5,698	9,529
St. Lawrence	15,490	21,359	5,940	5,161	13,449
El Paso			15,460		
Vermont	23,996	20,813	16,747	25,236	22,764
Puerto Rico		91	250	1,770	1,408
Los Angeles	282,146	187,336	149,841	186,651	274,235
Rochester					
San Diego	100				402

Compiled by the Bureau of Foreign and Domestic Commerce, Department of Commerce. The statistics relate to the 12 months ending July 31.

TABLE 3.—*Farm value of the cotton crop, number of bankruptcies, index of demand deposits, and number of automobile registrations in the South*

Season	Farm value of cotton crop	Year	Total number bankruptcies in South ^{1,2}	Index of rural demand deposits in South ^{3,4}	Total number of automobile registrations in South ¹
1928-29	\$1,302,000,000	1929	17,884	93.0	6,266,000
1929-30	1,245,000,000	1930	19,646	77.2	6,143,000
1930-31	659,000,000	1931	20,019	59.6	5,795,000
1931-32	484,000,000	1932	20,932	41.8	5,226,000
1932-33	424,000,000	1933	20,115	41.4	5,292,000
1933-34	664,000,000	1934	16,509	59.1	5,773,000
1934-35	596,000,000	1935	14,189	(5)	6,132,000
1935-36	590,000,000	1936	13,173	94.7	6,684,000

¹ Three southern districts: South Atlantic—Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida; East South Central—Kentucky, Tennessee, Alabama, and Mississippi; West South Central—Arkansas, Louisiana, Oklahoma, and Texas.

² Fiscal year ending June 30.

³ Calendar year average of monthly index, for banks in towns of less than 15,000 population in the States of Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, and South Carolina.

⁴ 1924-29=100.

⁵ Not available.

Source: Bureau of Agricultural Economics and Bureau of Public Roads, U. S. Department of Agriculture.

TABLE 4.—*Carlot¹ movement of industrial commodities from Northeastern² to Southeastern³ States*

	July 1, 1932, to June 30, 1933	July 1, 1933, to June 30, 1934	Percent increase
Goods used primarily in agriculture (farm implements and machinery, tractors and parts, steel fence posts, wagons and wheels, harness and saddlery, wire and fencing, etc.)			
Pounds	61,417,753	107,562,369	75.1
Goods for domestic and personal use (furniture, radios, bedding, dishes, kitchen utensils, electric appliances, plumbers' ware and bath tubs, clothing, sporting goods, toilet preparations, toys, etc.)	115,649,678	182,308,112	57.6
Goods used primarily in commerce and industry (steel and iron products, boilers and tubes, cables, engines, machinery and parts, tools and equipment, industrial materials and supplies, building and construction materials, non-ferrous metals and products, etc.)	827,180,499	1,185,937,766	43.4
Goods used generally in agriculture, industry and in homes (automobiles and parts, petroleum products, paper and printed matter, drugs and chemicals, glass and glassware, rubber and leather goods, millwork and cooperage, paints and varnishes, cork, soap, tin, clay products, etc.)	1,100,337,271	1,445,079,192	31.3
Total	2,104,585,201	2,920,887,439	38.8

¹ Carlot shipments comprise more than 95 percent of the entire volume of freight traffic on the railroads for which figures are here presented.

² Includes Connecticut, Delaware, Illinois, Indiana, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, and Wisconsin.

³ Includes Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Source: Compiled by Agricultural Adjustment Administration from waybills of Southern Railway system, Central of Georgia R. R., Louisville & Nashville R. R., and Illinois Central R. R.

TABLE 5.—*Transportation of commodities by interstate carriers by rail serving cotton-producing States*

Period	Southern district ¹		Southwestern region of the western district ²	
	Number of tons terminated ³	Total number of tons carried ⁴	Number of tons terminated ³	Total number of tons carried ⁴
1928	190,422,196	427,026,767	91,672,638	173,009,221
1929	186,375,920	429,575,010	96,048,279	180,200,707
1930	178,280,693	383,374,187	85,104,867	162,095,520
1931	145,252,204	308,708,997	68,991,970	132,698,635
1932	107,130,550	231,583,273	46,895,936	90,303,088
1933	117,169,971	253,630,864	48,060,915	91,898,672
1934	126,389,842	271,954,612	50,517,567	97,313,536

¹ Comprises that portion of the United States bounded on the north by the Ohio River from its mouth to Parkersburg, W. Va., thence by a line to the southwestern corner of Maryland, and thence by the Potomac River to its mouth and on the west by the Mississippi River.

² Comprises that section of the United States lying between the Mississippi River south of St. Louis and a line from St. Louis to Kansas City, thence to El Paso and by the Rio Grande to the Gulf of Mexico.

³ Includes only traffic delivered to consignee by the reporting carrier.

⁴ Includes both traffic delivered to the consignee and traffic delivered to connecting carriers.

Source: Basic data supplied by Bureau of Statistics, Interstate Commerce Commission.

TABLE 6.—*Stocks of cotton in public storage and at compresses compared with cotton price and cotton income*

Year	Stocks, ¹ 1,000 running bales	Price, ² cents per pound	Farm income from cotton and cottonseed, ³ 1,000 dollars
1920	2,055.0	37.18	1,164,530
1921	3,723.2	11.83	754,789
1922	1,488.2	21.90	1,224,914
1923	945.4	25.04	1,597,658
1924	673.9	28.24	1,707,478
1925	514.0	23.95	1,736,348
1926	1,935.9	17.78	1,248,316
1927	1,822.6	18.25	1,461,321
1928	1,189.8	19.98	1,469,251
1929	984.9	18.16	1,388,540
1930	2,877.4	11.68	751,104
1931	4,524.5	7.61	528,441
1932	6,699.9	6.31	464,329
1923-32 10-year average	2,216.8	17.7	1,192,078
1933	5,736.4	9.88	4716,553
1934	5,566.0	12.85	4706,380
1935	5,739.1	11.79	4698,000
1936	3,924.1	12.49	4897,000

¹ These figures are for the end of July of the year specified.

² Average price of spots at 10 designated markets for July and August of the year specified.

³ For crop year beginning Aug. 1 of the year specified.

⁴ Does not include benefit payments and profits on cotton-option contracts.

Source: Compiled by Bureau of Agricultural Economics from office records and annual reports of the Bureau of the Census and from office records of the Bureau of Agricultural Economics.

TABLE 7.—*Production, exports, and foreign consumption of American cotton, showing changes in exports and foreign consumption in seasons following large crops and low prices*

Season	Production (478-pound net weight bales)	Exports (running bales)	Change in exports in season after large crop (running bales)	Foreign con- sumption of American cotton (running bales)	Changes in foreign con- sumption of American cotton in season after large crop (running bales)	Average farm price
1904-05	13,438,000	8,560,000	—	—	—	8.98
1905-06	10,576,000	6,906,000	-1,654,000	—	—	10.78
1906-07	13,274,000	8,616,000	—	7,485,000	—	9.58
1907-08	11,106,000	7,465,000	-1,151,000	7,886,000	+401,000	10.36
1911-12	15,694,000	10,719,000	—	9,198,000	—	9.60
1912-13	13,763,000	8,746,000	-1,973,000	9,144,000	-54,000	11.49
1914-15	16,112,000	8,328,000	—	7,874,000	—	7.36
1915-16	11,172,000	5,896,000	-2,427,000	6,958,000	-916,000	11.22
1926-27	17,978,000	10,927,000	—	8,868,000	—	12.47
1927-28	12,956,000	7,540,000	-3,387,000	9,041,000	+173,000	20.19
1931-32	17,095,000	8,708,000	—	7,762,000	—	5.66
1932-33	13,001,000	8,419,000	-289,000	8,401,000	+639,000	6.52

Source: Bureau of Agricultural Economics, U. S. Department of Agriculture; Bureau of the Census* U. S. Department of Commerce; and New York Cotton Exchange.

The above table shows clearly the disruption that occurs in foreign commerce in American cotton following years of large crops and exports. It is significant that the decline in exports in the second season is not accompanied by a decline in foreign consumption of equal magnitude; indeed, in some seasons when exports have declined greatly, foreign consumption of American cotton has increased.

Conditions in the 1920-21 and 1921-22 seasons were different than those in the above seasons. The data for these seasons are as follows:

Season	Production	Exports	Changes in exports	Foreign con- sumption of American cotton	Change in foreign con- sumption
1920-21	13,429	5,745	—	5,591	—
1921-22	7,945	6,184	+439	6,596	+1,005

The 1920-21 season was marked by business depression and rapidly falling cotton prices, while the 1921-22 season was one of business recovery and advancing cotton prices. Shepperson's Cotton Facts, November 1921, New York, says (p. 7) of the 1920-21 season:

The total world's consumption of American cotton * * * was the smallest in a number of years as the result of financial and industrial disturbances attending post-war readjustments.

The November 1922 edition of Cotton Facts says (p. 8) of the 1921-22 season:

Economic recovery * * * brought expanding consumption of cotton goods and increased takings by mills.

PART V. MARKETING QUOTAS—RICE

Section 373 of part V provides that not later than December 31 of each year (except as to the current marketing year beginning Aug. 1, 1937, for which said crop year the determination shall be made within 30 days after this bill becomes effective), the Secretary shall proclaim the total amount of rice which will be needed during the next succeeding marketing year, beginning August 1, to meet the requirements of consumers in the United States and its Territories. The Secretary will also proclaim the amount required in Cuba, if at that time the Cuban tariff rate on not less than 100,000,000 pounds of rice is at least \$1.70 per hundred pounds less than the rate on rice from other countries. The sum total of these requirements is what is called the domestic allotment. The Cuban Government has granted a temporary adjustment in the tariff rate on rice of \$1.71 per hundred pounds less than the tariff on rice from all other countries of the world. This concession enables rice produced in the United States to compete in the Cuban market with rice produced from other countries of the world on a price basis comparable to that prevailing in the United States.

The domestic allotment for the marketing years, commencing August 1, 1937, and August 1, 1938, shall be apportioned by the Secretary among the several States in which rice is produced on the following basis: First, between California on the one hand and all other States on the other hand in proportion to the rice-base production established for such States under the 1937 agricultural conservation program; second, among the States other than California in proportion to the average of (1) the rice-base production established for each State under the 1937 agricultural conservation program, (2) the average amount of rice produced in each State during the 5-year period 1932-36, and (3) the amount of rice produced in each State in 1937. Apportionment for subsequent years among the several States will be made as follows: The larger of (1) the average amount of rice produced in each State during the 5-year period including the calendar year in which such domestic allotment is announced, or (2) the domestic allotment made to each State for the preceding year.

After each State shall have been apportioned its pro rata allotment for the marketing years commencing August 1, 1937, and August 1, 1938, each producer within each State shall be given a base allotment of the average of (1) the base production established under the 1937 soil-conservation program; (2) the average production during the 5-year period 1932-36, including the normal production of diverted acreage; and (3) the production in 1937 including the normal production of diverted acreage. For subsequent years the individual producer shall be given an allotment of the larger of (1) the average of the preceding 5 years' production, or (2) the allotment originally assigned him, whichever is the higher.

In order to provide for new producers, not less than 3 percent of each State's allotment is made available to them and will be allotted uniformly within the State, on a basis to be determined by the Secretary.

The Secretary is authorized to establish a national marketing quota, when the total supply of rice exceeds by 15 percent the normal supply (the normal supply is the average for the past 10 years of domestic consumption and exports plus 10 percent thereof for a normal carry-over), and should two-thirds of the rice producers by referendum vote in favor of such national marketing quota, then it shall become effective for all producers. Such national marketing quota will be apportioned among the States and farmers, including new producers, as hereinabove outlined. The total of the apportionment to producers shall not be less than the normal supply of rice, thereby protecting consumers against the possibility of a shortage in the rice supply and consequent increase in price of rice.

Should the Secretary find that the national marketing quota will not provide a normal supply of rice, he is required to conduct an investigation; and should such investigation disclose that a normal supply of rice will not be available, then such quota may be increased to a point where a normal supply is available, and each producer's quota will be increased in the same ratio.

After a national marketing quota shall have been established and apportioned among the producers of rice, the marketing of rice in excess of the quota assigned to each producer will be subject to a penalty of one-fourth of 1 cent per pound of the amount marketed in excess of the quota. The person who markets the rice from the farm and the person who knowingly acquires the rice are subject to the penalty, but not more than one penalty shall be collected on the same rice. The penalties are to be collected under the direction of the Secretary and covered into the general fund of the Treasury.

EFFECT OF MARKETING ON INTERSTATE AND FOREIGN COMMERCE

The conclusion of the committee that the marketing of rice exerts a substantial and direct effect upon interstate and foreign commerce is more than justified by the following summary of the facts and figures relating thereto derived from available statistics of the Department of Agriculture.

ECONOMIC DATA RELATING TO RICE

Rice is produced in the United States in a very restricted area within the four States of Arkansas, Louisiana, Texas, and California. However, the production of these four States is distributed not only in all of the States of the Union but also in the Territories of Hawaii and Alaska, in Puerto Rico, and in foreign countries. During the last 10 years exports of rice to foreign countries and shipments of rice to Hawaii, Alaska, and Puerto Rico have made up, on the average, 43 percent of the current year's crop marketed by all rice producers.

Rice—Comparison of annual rice production with exports and shipments to United States possessions

Year Aug.	Exports (grain) ¹	Shipments to posses- sions ¹	Total out- ward move- ment	Production (less seed) ²	Percent total outward move- ment is of pro- duction
	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	
1926-27-----	239,000,000	248,000,000	487,000,000	1,088,000,000	45
1927-28-----	239,000,000	249,000,000	488,000,000	1,176,000,000	41
1928-29-----	320,000,000	289,000,000	609,000,000	1,155,000,000	53
1929-30-----	225,000,000	278,000,000	503,000,000	1,040,000,000	48
1930-31-----	222,000,000	303,000,000	525,000,000	1,190,000,000	44
1931-32-----	225,000,000	295,000,000	520,000,000	1,186,000,000	44
1932-33-----	128,000,000	324,000,000	452,000,000	1,109,000,000	41
1933-34-----	86,000,000	284,000,000	370,000,000	997,000,000	37
1934-35-----	117,000,000	317,000,000	434,000,000	1,035,000,000	42
1935-36-----	76,000,000	293,000,000	369,000,000	1,021,000,000	36
Total-----	1,877,000,000	2,880,000,000	4,757,000,000	10,997,000,000	43

¹ Compiled from Monthly Summary of Foreign Commerce, Department of Commerce.

² Agricultural Statistics, 1937, U. S. Department of Agriculture, p. 79. Bushels converted to pounds clean rice equivalent, using conversion factor of 27.77778 pounds.

Statistics of the Department of Agriculture indicate that from 83 to 98 percent of the rice produced in the United States moves in interstate or foreign commerce.

The supplies used for intrastate consumption are bought from producers on the same markets and in the same communities where rices are obtained for shipments in interstate and foreign commerce. The rices are of similar grades and varieties and for them are paid the prices currently prevailing in an active competitive market. They are milled by the same kind of machinery and more frequently than not, the same mill sells clean rice to local as well as to the out-of-State purchasers.

PUBLICATION AND REVIEW OF QUOTAS

Part VI of title III provides for review by an administrative agency and by a court of the marketing quotas established under the preceding parts. The provisions of the part apply to each of the commodities, with respect to which quota provisions are applicable, separately.

Section 382 provides that the Secretary shall make available for public inspection, within the county or administrative area, a list of the farm marketing quotas for each such commodity for all farms in the county or area. Notice of the amount of the quota for his farm is required to be mailed to the farmer.

If the farmer is dissatisfied with his quota he may appeal to a review committee of local farmers. This application for review is to be filed within 15 days after notice of his quota is mailed to the farmer. Unless such application is had, the original determination of the local committee is final. The review committee is to be composed of three farmers appointed by the Secretary. This committee may not include any member of the local committee which originally determined the farm-acreage allotment, normal yield, or farm-marketing quota for the farm. The review committee may be charged with the duty of reviewing the quotas for all the commodities with respect to which quotas are established in the county or area.

The review committee is to be entitled to the same per diem as the members of the local committee. Since it is anticipated that the

quotas will be reviewed expeditiously, the review committees may not be compensated for more than 30 days in 1 year (sec. 384).

The determination of the review committee must be sent by registered mail to the farmer. Unless he appeals from that determination, it is final. The farmer may, if dissatisfied with the determination of the review committee, appeal to the district court for review. This must be done within 15 days after mailing of the notice of the review committee's determination (sec. 385). Court review is instituted by filing a bill in equity in the local district court. The farmer must file bond to secure the United States for costs. Bill of complaint must be served by delivering a copy of it to any member of the review committee. Upon service of the bill of complaint, the review committee must certify and file with the court a transcript of the record on which the determination was made.

In the court proceeding, the findings of fact of the review committee are conclusive if supported by evidence. Provision is made for the submission of additional evidence to the review committee if the court remands to the committee for that purpose. Review by the district court is limited to questions of law. The court may affirm the determination if it is in accordance with law. If the court decides that the determination of the review committee is not in accordance with law, the court shall remand the proceeding to the review committee with directions to take such action as the law requires (sec. 386).

Section 387 provides that there shall be no other method of reviewing farm-marketing quotas except that provided in this part.

Section 388 provides that if a farm-marketing quota is increased by the review committee or the court, other farm-marketing quotas are not to be affected thereby.

TITLE IV. MISCELLANEOUS AND APPROPRIATIONS

PART I. MISCELLANEOUS

Section 401 authorizes the Secretary to make complaint to the Interstate Commerce Commission with respect to rates, charges, tariffs, and practices relating to transportation of farm products. The Secretary is authorized to prosecute such complaints. The Interstate Commerce Commission is required, before hearing complaint by the persons relating to the transportation of farm products, to give notice of such proceeding to the Secretary and upon the Secretary's application to permit him to appear and be heard. The Secretary is also authorized to cooperate with and assist cooperative associations of farmers in complaints brought by them before the Interstate Commerce Commission.

Section 402 (a) authorizes \$10,000,000 annually to be made available out of the general appropriations made by the bill for the establishment of research facilities to find and develop new markets and uses for farm products. Such research may be done by the Department alone or in cooperation with States or their agencies. In order for the sums to be available for work done in a State, the State or its subdivisions must provide at least \$250,000 for the establishment of necessary physical facilities.

Section 402 (b) contains a general authority to the Secretary to stimulate and widen the use of farm commodities in the United States and to increase the flow of such commodities and their products into world markets.

Section 403 removes the prohibition contained in section 32 of the 1935 amendments upon the use of funds appropriated thereunder for the payment of benefits in connection with the exportation of unmanufactured cotton.

Section 404 authorizes the Federal Surplus Commodities Corporation to continue its functions without limitation as to time.

Section 405 provides a rule of construction for the administration of the cotton price adjustment payments contemplated with respect to the 1937 crop under the Third Deficiency Appropriation Act for the fiscal year 1937. Under that act a producer must, in order to be entitled to the payment with respect to his 1937 crop, comply with the provisions of the 1938 agricultural adjustment program. This section 405 provides that such a producer shall be deemed to have complied if he does not exceed the cotton farm acreage allotment for 1938 which is apportioned to his farm under the Soil Conservation and Domestic Allotment Act, as amended, and for that purpose he must have complied not only with the original act but also with the amendments made to it by this bill.

Section 406 provides that the provisions of law relating to the appointment and utilization of local committees of agricultural producers and the extension service and other approved agencies, and to the recognition of cooperative agencies provided under section 8 (b) and section 11 of the Soil Conservation and Domestic Allotment Act shall apply in the administration of this bill. This section further provides that the local committees utilized under the Soil Conservation and Domestic Allotment Act shall be utilized in the administration of this bill.

Section 407 authorizes and directs the Secretary to provide for the execution of such powers conferred upon him under the bill by the Agricultural Adjustment Administration as he determines may be exercised by it. For such purpose, the provisions of law relating to appointment and compensation of Agricultural Adjustment Administration personnel are to apply.

Section 408 contains the separability clause. The bill is so written that the various divisions into titles, parts, and sections are easily separable. The separability clause not only provides that the invalidity of a provision to a particular person or circumstances shall not affect its applicability to other persons or circumstances, but it also provides that such invalidity shall not affect the provisions of the Soil Conservation and Domestic Allotment Act.

APPROPRIATIONS AND ADMINISTRATIVE EXPENSES

Section 421 (a) authorizes for the fiscal year 1938 and subsequent fiscal years appropriations to carry out the bill in such amounts as Congress may determine. These sums are also to be available for making soil conservation and other payments and are to be in addition to sums appropriated pursuant to section 15 of the Soil Conservation and Domestic Allotment Act.

Section 421 (b) authorizes \$5,000,000 to be made available annually out of Soil Conservation and Domestic Allotment Act funds for administrative expenses under this bill.

Section 421 (c) authorizes the amounts appropriated pursuant to section 421 (a) to be made available for the purposes of section 82

of the 1935 amendments relating to diversion, removal of surpluses, and expansion of exports.

Section 421 (d) authorizes sums appropriated under section 15 of the Soil Conservation and Domestic Allotment Act to be made available for any one or more of the purposes for which sums available under section 421 (a) may be used.

Section 422 authorizes the usual administrative expenses to be incurred.

Section 423 authorizes the Secretary to allot appropriations made to carry out the bill to various bureaus and offices in the Department and to other agencies which may cooperate with and assist him in carrying out the bill.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in the Soil Conservation and Domestic Allotment Act made by the bill are shown as follows: Existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman.

(Sec. 8:)

(b) Subject to the limitations provided in subsection (a) of this section, the Secretary shall have power to carry out the purposes specified in clauses (1), (2), (3), ~~(and 4)~~ (4), and (5) of section 7 (a) by making payments or grants of other aid to agricultural producers, including tenants and sharecroppers, in ~~amounts~~ amounts determined by the Secretary to be fair and reasonable in connection with the effectuation of such purposes during the year with respect to which such payments or grants are made, and measured ~~by~~, by (1) their treatment or use of their land, or a part thereof, for soil restoration, soil conservation, or the prevention of ~~erosion~~, erosion; (2) changes in the use of their ~~land~~, (3) a percentage of their normal production of any one or more agricultural commodities designated by the Secretary which equals that percentage of the normal national production of such commodity or commodities required for domestic consumption, or (4) any combination of the above. In determining the amount of any payment or grant measured by (1) or (2) the Secretary shall take into consideration the productivity of the land affected by the farming practices adopted during the year with respect to which such payment is made. In carrying out the provisions of this section, the Secretary shall, as far as practicable, protect the interests of tenants and share-croppers. In carrying out the provisions of this section, the Secretary is authorized to utilize county and community committees of agricultural producers and the agricultural extension service, or other approved agencies. In carrying out the provisions of this section, the Secretary shall not have power to enter into any contract binding upon any producer or to acquire any land or any right or interest therein. In carrying out the provisions of this section, the Secretary shall, in every practicable manner, protect the interests of small producers. The Secretary in administering this section shall in every practical way encourage and provide for soil conserving and soil rebuilding practices rather than the growing of soil depleting commercial crops. ~~land~~, (3) their equitable share, as determined by the Secretary, of the normal national production of any commodity or commodities required for domestic consumption; or (4) their equitable share, as determined by the Secretary, of the normal national production of any commodity or commodities required for domestic consumption and exports; or (5) any combination of the above. In arid or semiarid sections, (1) and (2) above shall be construed to cover water conservation and the beneficial use of water on individual farms, including measures to prevent run-off, the building of check dams and ponds, and providing facilities for applying water to the land. In determining the amount of any payment or grant measured by (1) or (2) the Secretary shall take into consideration the productivity of the land affected by the farming practices adopted during the year with respect to which such payment is made. In carrying out the provisions of this section, the Secretary — shall, as far as practicable, protect the interests of tenants and sharecroppers; is directed to utilize county and community committees of agricultural producers who are appointed by the Secretary on the advice and recommendation of farmers

in the locality who are participators in the program, and to grant such committees as full voice as is practicable in formulating and administering the program; is authorized to utilize the agricultural extension service and other approved agencies; shall accord such recognition and encouragement to producer-owned and producer-controlled cooperative associations as will be in harmony with the policy toward cooperative associations set forth in existing Acts of Congress and as will tend to promote efficient methods of marketing and distribution; shall not have power to acquire any land or any right or interest therein; shall, in every practicable manner, protect the interests of small producers; and shall in every practical way encourage and provide for soil-conserving and soil-rebuilding practices rather than the growing of soil-depleting crops. Rules and regulations governing payments or grants under this subsection shall be as simple and direct as possible, and, wherever practicable, they shall be classified on two bases: (a) Soil-depleting crops and practices, (b) soil-building crops and practices.

(c) (1) In determining acreage allotments under this section in the case of cotton, wheat, rice, tobacco, and field corn, the National and State allotments and the allotments to counties or other administrative areas shall be determined annually on the basis of the acreage devoted to the production of the commodity during the five calendar years (in the case of cotton, tobacco, and rice), or the ten calendar years (in the case of wheat and field corn), immediately preceding the calendar year in which the national acreage allotment is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and trends in acreage during the applicable period.

(2) In the case of wheat and rice, the allotment to any county or other local administrative area (less 3 per centum thereof) shall be apportioned annually by the Secretary, through the local committee, among the farms within such county or area so that the allotment of each farm shall be a prescribed percentage of the average (during the previous five years) of the tilled acres of the farm, which percentage shall be the same for all farms in the county or area. The allotment to any farm on which the commodity has been planted during at least one of such years shall be that proportion of the farm allotment which would otherwise be made which the number of such years bears to five. Three per centum of the county or local allotment shall be apportioned to farms, within the county or area upon which the commodity has not been planted during any of the previous five years, on the basis of land, labor, and equipment available for the production of such agricultural commodity; crop-rotation practices; and the soil and other physical facilities affecting the production of such commodity. In determining allotments under this paragraph, the Secretary shall also take into consideration the acreage on the farm devoted during such five-year period to the production of other soil-depleting commodities specified in paragraph (1).

(3) In the case of cotton, 95 per centum of the State acreage allotment shall be apportioned annually by the Secretary to the counties and other administrative areas in the State. The allotment to any county or other local administrative area shall be apportioned annually by the Secretary, through the local committee, among the farms within such county or area, on which cotton has been planted at least once during the five years immediately preceding the year for which the allotment is made, so that the allotment of each farm shall be a prescribed percentage of the average (during such five-year period) of the tilled acres of the farm, which percentage shall be the same for all farms in the county or area. The allotment to any farm on which cotton has been planted during at least one of such years shall be that proportion of the farm allotment which would otherwise be made which the number of such years bears to five. Two and one-half per centum of the State acreage allotment shall be apportioned to farms in such State, which were not used for cotton production during any of the five calendar years immediately preceding the year for which the allotment is made, on the basis of land, labor, and equipment available for the production of cotton; crop-rotation practices, and the soil and other physical facilities affecting the production of cotton. Two and one-half per centum of the State acreage allotment (plus any amount of the State acreage allotment not apportioned pursuant to the preceding sentence) shall be apportioned in such State to owners, cash tenants, and fixed or standing rent tenants, operating farms to which an allotment of not exceeding fifteen acres has been made under the apportionment of the allotment to the county or administrative area. Such additional allotment shall be made upon such basis as the Secretary deems fair and equitable. In determining allotments under this paragraph, the Secretary shall also take into consideration the acreage on the farm devoted during such five-year period to the production of other soil-depleting commodities specified in paragraph (1).

(4) In the case of field corn, the allotment to any county or other administrative area shall be apportioned annually by the Secretary, through the local committee, among the farms within such county or area on the basis of tillable acreage, type of soil, topography, crop-rotation practices, and production facilities.

(5) In the case of tobacco, the allotment to any State or other administrative area shall be apportioned annually by the Secretary among the farms within such State

or other area on the basis of past production of tobacco; land, labor, and equipment available for the production of tobacco; crop-rotation practices; and the soil and other physical factors affecting the production of tobacco.

(6) Notwithstanding any other provision of this subsection, if, for any reason other than flood or drought, the acreage of any commodity planted on the farm is less than 80 per centum of the farm acreage allotment for such commodity, such farm acreage allotment shall be 25 per centum in excess of such planted acreage.

(7) In determining normal yield per acre on any farm under this section in the case of cotton, wheat, rice, tobacco, and field corn, the normal yield shall be the average yield per acre thereon for such commodity during the ten calendar years immediately preceding the calendar year in which such yield is determined, adjusted for abnormal weather conditions and trends in yields. If for any reason there is no actual yield, or the data therefor are not available for any year, then an appraised yield for such year, determined in accordance with regulations of the Secretary, shall be used. If, on account of drought, flood, insect pests, or other uncontrollable natural cause, the production in any year of such ten-year period is less than 75 per centum of the average (computed without regard to such year), such year shall be eliminated in calculating the normal yield per acre.

[(c)] (d) Any payment or grant of aid made under subsection (b) shall be conditioned upon the utilization of the land, with respect to which such payment is made, in conformity with farming practices which the Secretary finds tend to effectuate any one or more of the purposes specified in clause (1), (2), (3), [(or (4)] (4), or (5) of section 7 (a).

(e) Any payment that would otherwise be made to any producer pursuant to the terms of this section shall be reduced by 25 per centum of the amount thereof in excess of \$2,000. The following amounts shall be excluded in determining the amount to which the reduction is to be applied in the case of payments made to a landowner:

(1) Amounts paid to him which represent a tenant's or sharecropper's share of the payment; and

(2) Amounts representing the landowner's share of a payment made with respect to land operated under a tenancy or sharecropper relationship if the division of the payment between the landowner and the tenant or sharecropper is determined by the local committee to be in accordance with fair and reasonable standards of sharing prevailing in the locality.

In computing any such reduction, payment shall be computed separately with respect to performance in any State, Territory, or possession for each year. In computing reductions under this subsection, the determination of the Secretary as to the status of any producer shall be final; in any such determination, there shall be taken into account the status, if any, of any producer, or his predecessor in interest, as of January 1, 1937.

(f) Any change in the relationship between the landowner and the tenants or sharecroppers, with respect to any farm, that would increase over the previous year the amount of payments or grants of other aid under subsection (b) that would otherwise be made to any landowner shall not operate to increase such payment or grant to such landowner. This limitation shall not apply if on investigation the local committee finds that the change is justified and approves such change in relationship.

* * * * *

SEC. 15. To enable the Secretary of Agriculture to carry out the purposes of sections 7 and 8 there is hereby authorized to be appropriated for any fiscal year not exceeding \$500,000,000.

Prior to the beginning of each calendar year and prior to the announcement of the program under sections 8 to 14, inclusive, of this Act for such calendar year, the Secretary shall apportion the funds (minus his estimate of administrative costs) which he estimates will be available for carrying out such sections during such calendar year among the various major administrative areas established under such sections. The apportionment shall be made so that the amount available in each of the administrative areas shall bear the same proportion to such estimated amount as (1) the acreage during a representative period of the major soil-depleting and major export crops, (2) the value during a representative period of the major soil-depleting and major export crops, (3) the acreage during a representative period of the land, not included in (1), devoted to agricultural production (including dairying and livestock areas), and (4) productivity during a representative period of the land, not included in (1), devoted to agricultural production (including dairying), in such area bears to the acreages and values set forth above of all the administrative areas. The amount expended during the calendar year for which the apportionment is made for payments or grants of other aid under such sections in any administrative area shall not exceed the amount so apportioned to the area.

MINORITY VIEWS

Your Committee on Agriculture has labored long and diligently in the preparation of the bill which is now presented to the House as the "Agricultural Adjustment Act of 1937." All members of the committee have had a common objective in their desire to propose and pass legislation that will attempt to bring economic equality, parity income and parity prices for the farmers who operate our great basic industry of agriculture.

Legislation is but a means to an end. The end expected and demanded by the farmers of the country from this extraordinary session of Congress is the passage of permanent and constitutional farm legislation which will bring them parity income, parity prices, and cost of production for the products raised on their farms. Nothing more, nothing less. Therefore, the test or yard stick to apply to the bill is whether or not the administration of its provisions will bring about the desired end or objective. If it fails in this purpose, the effort now being made to enact a sound and beneficial law, no matter how well intentioned, will be but another experiment to be chalked up along side of the failures of the past.

We, of the minority, do not believe that the proposed bill will accomplish any of the objectives anticipated by the farmers. In fact, its passage and administration will be a great disappointment and a much greater disillusionment to them. They will find that no attempt is made to assure parity income or cost of production for either the present or the future. The farmer is primarily interested in the price he is to receive for his products and in what he must pay for the things he desires to buy for himself and family. The farmers will also discover that the proposed program will bring about a complete dislocation of agriculture in the United States, the increase in foreign production of competitive farm products, and the total disappearance of our export market.

A careful scrutiny of this much heralded "all-weather program" for agriculture will disclose the injection of a new philosophy, of dubious constitutionality, into our American system of free and independent action. Instead of following the usual and customary practice of enacting legislation to do something "for" the farmers, this bill definitely provides for doing something "to" the farmers of the United States. In a word, nearly 60 pages of the bill are devoted to the national regimentation of farmers engaged in the production of cotton, corn, wheat, rice, and tobacco, under the Secretary of Agriculture as the supreme dictator with compulsory production and marketing control, enforced by drastic penalties, and the ever-normal granary as the keystone for the New Deal for American farmers.

It is difficult for us to believe that the President and his Secretary of Agriculture would now become the sponsors of a compulsory program for American farmers, after recalling Mr. Roosevelt's words on farm legislation at Topeka, Kans., when he said:

The plan must not be coercive. It must be voluntary and the individual producer should at all times have the opportunity of nonparticipation if he so desires.

In order that there may be no misunderstanding as to the origin of the philosophy of this bill, it is stated here, that the compulsory features of the legislation are not sponsored by any national farm organization. In fact, these provisions have the bitter opposition of many national farm groups. These organizations and their members, as well as the large majority of farmers, are opposed to regimentation and compulsory control of their farming business. They want no traffic with the tens of thousands of politically minded "Agricultural G-men" who will be placed on the public pay roll to travel from farm to farm enforcing the orders of the Secretary by intimidation and threat of penalty. They want to remain as free men. Further, the farm organizations in opposition to this bill have proposed sound and constructive legislation, but their suggestions have not been incorporated in the bill.

A brief discussion will now be undertaken in an analysis of the various provisions of the proposed farm bill.

SOIL CONSERVATION

The bill provides for the continuation of the Soil Conservation Act of 1936 with certain desirable amendments. All of the members of the committee are united in their support of the soil-conservation program as administered in 1936 and 1937. This program has been well received by farmers everywhere and the Nation has benefited as a result of the soil-building practices put into effect. Maximum authorizations heretofore approved by Congress for soil-building purposes should be appropriated.

Attention should here be called to the soil-conservation program for 1938 recently announced by the Secretary of Agriculture. No doubt the Secretary anticipated the enactment of this so-called compulsory ever-normal-granary bill, and therefore changed the entire congressional intent and philosophy of the Soil Conservation Act of 1936. Congress intended that benefit payments should be made to farmers for conserving acres and building soil fertility. In accordance with this intent farmers have only been paid benefits upon the acres taken out of the production of soil-depleting crops and planted to soil-conserving crops.

The announced 1938 program was changed by the Secretary, without authority from Congress, and instead of paying substantial sums to farmers for planting soil-building crops in 1938, such payments will be reduced to as low as 70 cents per acre, with the following sums paid for the production of soil-depleting crops on acreage allocated by the Secretary to farmers: Cotton, 2.4 cents per pound (estimated cost \$110,000,000) plus 3 cents per pound subsidy on 65 percent of the 1937 crop (18,500,000 bales)—appropriation, \$130,000,000 from section 32 funds, plus such additional benefits as may be provided by this bill. Wheat, 12 cents per bushel to farmers on allocated acreage (estimated cost, \$80,000,000). Tobacco, average \$8 per acre; corn, 10 cents per bushel (estimated cost \$75,000,000); potatoes, at \$5 per acre; peanuts, at \$1.45 per acre; rye, barley, and oats, and other soil-depleting crops, at \$1.50 per acre.

The above benefit payments are made only to farmers who cooperate in the 1938 program. To make it plain, the Secretary has attempted to establish a voluntary ever-normal-granary program without legislative authority by purchasing compliance and cooperation from

farmers through the payment of substantial sums. The Secretary or his representatives will allocate acreage for every farm both as to soil-building and soil-depleting crops, and farmers who comply with the program will receive the benefit payments.

It is estimated by the Department of Agriculture that the soil-conservation program for 1938 will cost \$440,000,000. Approximately \$45,000,000 of this amount will be used to cover pay rolls for National, State, and country administration, including publicity men, lecturers, travel expense, and periodicals. This enormous sum for administration rightfully belongs to the farmers. The 1936 program cost \$397,634,419.11. Out of this money appropriated for the relief of farmers, \$40,313,451 was spent for administrative purposes. It will suffice to say that some limit should be placed upon the cost of administration.

While it is not believed that any executive or administrative officer of the Federal Government should undertake to change a policy of Congress without legislative authority, many feel that if subsidy and benefit payments are to be continued, it would be preferable to adopt the 1938 voluntary program announced by the Secretary as against the compulsory control laid down in H. R. 8505.

LIMITATION ON PAYMENTS UNDER SOIL CONSERVATION

Subsidy payment to farmers has become an expediency due to low prices on certain basic commodities on account of burdensome surpluses. The responsibility for these large surpluses does not lie on the doorstep of the farmer who operates a family-sized farm but rather with the large operators who control and operate thousands of acres and with machine production, plant and harvest the excessive supplies of cotton, wheat, corn, and tobacco. If some of these large operators could be induced to properly cut their acreage, our surplus and price problem would be partly solved.

It is conceded that all producers must come into the program if it is to succeed. Both large and small farmers. But why should the Government pay tens of thousands of dollars to certain few individuals and only a few paltry dollars to the man who operates the family-sized farm? Our memories are always short, but surely we cannot help but recall the benefit payments under the Agricultural Adjustment Act where hundreds of large farmers received subsidy payments from the Government ranging from \$10,000 to \$1,000,000 each year to produce less. A repetition of such a scandal should not be permitted.

The committee has made an attempt to reduce the large payments by cutting the amount 25 percent when the subsidy exceeded \$2,000. This cut is not sufficient, and it is recommended that the House adopt an amendment limiting the total payment made to any farmer.

ABNORMAL GRANARY—NOT EVER-NORMAL GRANARY

The Secretary of Agriculture seeks to establish an ever-normal granary. According to the formulas advocated by him, and now in the bill, the farmers will be given an "abnormal granary" instead of an ever-normal granary. In the case of cotton, the Secretary recommends acreage control when production and supply have reached the staggering figure of 20,900,000 bales, with the domestic consumption and export of cotton being less than 12,000,000 bales. For wheat,

compulsory control will go into effect when the supply reaches approximately 1,100,000,000 bushels, with our domestic consumption and export at considerably less than 700,000,000 bushels. For corn, a supply of 2,900,000,000 bushels is recommended with domestic consumption and export approximately 700,000,000 bushels less. The ever-normal granary is to be maintained with the supply and reserves just enumerated.

Any practical farmer or fair-minded economist will frankly admit that such a large and abnormal supply of the commodities covered by the bill can only bring about lower prices instead of parity income and cost of production.

We can take the case of corn as a typical illustration of what will happen when large supplies accumulate. The total supply of corn at the end of the present crop year amounted to 2,711,000,000 bushels. A 50-cent per bushel loan has been authorized by the President on the 1937 corn crop. The farmer is now receiving around 35 cents a bushel for his corn. The supplies of corn on hand are not excessive, but if 200,000,000 additional bushels are added to present supplies, it is elementary that the price would be considerably lower than it is today. Furthermore, the tender of a loan of 50 cents per bushel has no more help to hold the market price to that figure, than the 9-cent loan on cotton, the market price on cotton being approximately 7.75 cents per pound.

At frequent intervals during the crop year, the Secretary of Agriculture announces crop estimates and supplies on hand covering all agricultural commodities. His estimates in this respect have a decided effect upon the domestic and world markets. If he announces a smaller crop than anticipated, the price goes up, and should he predict a larger crop and supply, the domestic and world price goes down. If this bill goes into operation, it is assumed that the Secretary would issue accurate estimates as to production and supplies, whether in storage on the farms or in terminal facilities. Immediately our visible supply would be advertised to the world, and there would be a material reaction in the market price level. It would make no difference if the Secretary announced that a certain percentage of the crop would not be sold because of the ever-normal granary storage plan. Of course, the Secretary could follow in the footsteps of the Farm Board and have the Government buy all of the reserve supplies and more. This would be another fiasco, and an expensive one at that.

No; instead of building up large supplies in this country of cotton, wheat, corn, and tobacco, our energies should be directed to the recovery of our foreign markets for the surplus production. This can be done without jeopardizing our domestic market for those commodities produced in sufficient quantity to take care of our domestic needs. The principles advocated in the old McNary-Haugen farm bill supply the answer. That bill provided for an American protected price for that part of the commodity sold for domestic consumption with the surplus being sold in the world market at the world price.

LOANS ON AGRICULTURAL PRODUCTS

All members of the committee concurred in the proposal to make sound loans on all agricultural commodities, including dairy products. Past experience indicates the helpfulness and advisability of continuing a liberal but sound loaning policy.

REFERENDUM BY PRODUCERS

The bill provides for a referendum vote by the farmers before the compulsory control provisions, as announced by the Secretary, go into effect. The Secretary is required to permit all farmers affected by his order to participate in the referendum. If more than one-third of the number of farmers voting are opposed to the control program, the Secretary will not put the compulsory plan into operation. A referendum of the farmers is highly desirable. However, it is believed that such a referendum would be declared unconstitutional by the Supreme Court. In support of this opinion, the case of *Carter v. Carter Coal Co.*, decided in May 1936 by the Supreme Court is cited. This case involved a referendum vote among the producers of coal, and the Court said:

That the power conferred upon the majority is, in effect, the power to regulate the affairs of an unwilling minority. This is legislative delegation in its most obnoxious form; for it is not even delegation to an official or an official body, presumptively disinterested, but to private persons whose interests may be and often are adverse to the interests of others in the same business.

Under the separability clause contained in the bill, and if the Court would declare the referendum unconstitutional, the Secretary could put into effect the compulsory program despite the opposition of the majority of farmers. In fact, he would be compelled to do so under the law.

COMPULSORY CORN CONTROL

The most drastic control provision is found in the corn title. Corn farmers living within the so-called commercial corn area, consisting of 10 States in the Middle West, are to be regimented, inspected, and penalized to the *nth* degree, while the corn farmers living outside of the commercial area can produce, feed, and sell without limit. This means, of course, that there will be a rapid expansion of corn production outside of the commercial area and particularly in contiguous counties, which will result in a break-down of the entire scheme. As an illustration, it might be well to cite some of the States not in the corn area and give the corn production for 1937. Pennsylvania, 61,680,000 bushels; Michigan, 58,320 bushels; Wisconsin only 18 counties in commercial area, but entire State produced 76,864,000 bushels; Virginia, 38,844,000 bushels; North Carolina, 45,357,000 bushels; Georgia, 47,368,000 bushels; Kentucky, 79,482,000 bushels; Tennessee, 68,592,000 bushels; Alabama, 45,834,000 bushels; Mississippi, 45,378,000 bushels; Arkansas, 40,640,000 bushels; Texas, 72,048,000 bushels, etc. More than 50 percent of the corn produced in this country is grown outside of the commercial area, and prospects are very good under the proposed program to at least double present corn acreage in the unrestricted area.

The States included in the commercial area and the corn production for 1937 is herewith given: Minnesota (southern one-third of State), entire State production, 169,974,000 bushels; Iowa, 496,620,000 bushels; Illinois (except 14 counties in southern part of State), State production, 434,746,000 bushels; South Dakota (18 counties in southeastern corner), production entire State, 45,748,000 bushels; Nebraska (eastern and southern part of State), entire State production, 83,106,000 bushels (5-year average, 223,843,000 bushels); Kansas (34 counties in northern part), entire State production, 32,280,000 bushels (5-year

average production, 126,756,000 bushels); Missouri (northern half), entire State production, 124,308,000 bushels; Wisconsin (18 counties, southern part), total production for entire State, 76,864,000 bushels; Indiana (except 18 counties), total State production, 209,790,000 bushels; Ohio (western half), total State production, 166,005,000 bushels.

The compulsory control scheme for the commercial corn area will now be considered. The Secretary of Agriculture allocates a definite number of acres for corn production for every farm in the area, and when the compulsory program goes into effect, every farmer in the area is given a marketing quota. Marketing quota means the amount of corn that a farmer is permitted to sell, exchange, give away, or feed to livestock and poultry. The marketing quota becomes effective when the national supply has reached 2,900,000,000 bushels of corn. If a corn farmer produces more than his marketing quota, the excess production must be placed in storage and under seal in a suitable corn crib, subject to the instructions from the Secretary. The farmer is not allowed to sell, exchange, give away, or feed any of the corn placed under seal. If he does not have a suitable granary or corn crib in which to place the surplus corn, he must build one at his own expense according to Government specification.

Now, we come to the part of the program where the penalty provisions begin to operate. Should a farmer find himself running short of silage and field corn for his hogs and cattle, he would be penalized at the rate of 15 cents per bushel if he broke the seal on his corn crib and fed some of the stored corn to his starving animals. The same penalty would apply should he dispose of his corn in any manner, and the penalty would be collected by a suit in the United States district court under the direction of the Attorney General at Washington. In addition to being compelled to pay the penalty through legal process, the corn farmer would also lose his benefit payment under the Soil Conservation Act. It might be well to mention that every farm will be inspected and corn measured or weighed, in the silos and cribs, by representatives from the Department of Agriculture. More than 1,000,000 farms in the commercial area produce corn.

If the corn farmer lives up to the program outlined for him by the Secretary of Agriculture, he will receive 10 cents per bushel benefit payment on the average production (30 bushels to the acre) and such other subsidies as Congress may see fit to appropriate.

It is believed by many that the program for corn is unsound and will work to the detriment of all agriculture.

TOBACCO

There are times when mere men rise above politics and become statesmen. The drafting of the tobacco section was no such an instance. The provisions of this title provide for strict compulsory control for tobacco farmers, but the effect of such control is not felt by the producer if he markets more pounds of tobacco than permissible under his quota, for he is subject to no penalty. The buyer pays the penalty of 50 percent of the market value if he knowingly makes a purchase from any tobacco farmer who sells more than his allowable quota. Another item of particular significance in this title is the fact that a majority of the producers are exempt from the provisions of the bill.

An exemption has been provided so that producers shall not come within the provisions of the bill or the marketing quota if they produce from 2,400 to 3,200 pounds or less.

Politically speaking, we find an ideal situation in the compulsory control for tobacco. The majority of tobacco farmers are exempt from the provisions of the bill; no penalty is collected from the producer, and if he can convince the buyer that he is not selling contraband or bootleg tobacco, he can receive his full market price without deduction. The buyer pays the penalty and the producer does not feel the sting of compulsory control.

WHEAT

According to expert authority from the Department of Agriculture, compulsory control and marketing quota will go into effect when the Nation has produced a total supply of 1,027,000,000 bushels of wheat. The details of the plan are similar to the control and storage provisions explained in the corn paragraphs of this report with the exception that wheat plan covers the entire country. Each wheat farmer is assigned a definite acreage for wheat production, and is required to store up to 20 percent of his crop above his marketing quota. The amount placed in storage cannot be sold or given away, but it may be used for feed. If the wheat farmer lives up to his contract and only plants wheat on the allocated acreage, and places in storage the excess supply above his marketing quota, he will receive a benefit payment of 12 cents per bushel on the normal production of his allotted acreage. He will also be eligible to receive such other benefits as Congress may provide in H. R. 8505.

In the event that the wheat farmer fails to comply to his part of the agreement, and should he dispose of his storage wheat, he will be subject to a penalty of 15 cents per bushel, and also lose all other benefit payments.

Wheat is a world commodity, and it is not believed that the piling up of large visible surpluses in this country can do anything but cause a lower price level. Parity price on wheat is said to be \$1.20 per bushel. The farmer should receive at least this amount, and we believe that if the principles of the McNary-Haugen bill would be applied, he would come closer to it than under the provisions of the bill before the House. The wheat farmers do not want the compulsory program.

COTTON PROGRAM

The cotton program as set forth in the bill contemplates acreage control, without production control or marketing quotas. Each cotton farmer is assigned a definite number of acres upon which he may grow cotton. He can grow without penalty, as much cotton on his allotted acreage as nature and fertilization will permit. He can also sell all of the cotton produced on the allotted acreage without restriction or penalty. If he plants additional land in cotton over and above his allotted acreage, a penalty of 2 cents per pound will be collected from him on the sale of such surplus production. This farmer would then become a noncooperator, and as an additional penalty, would forfeit his entire benefit payment.

The 10-year average for cotton production has been approximately 170 pounds per acre. According to the Secretary of Agriculture cotton producers were blessed with an average production of 228

pounds per acre for the cotton crop of 1937. This, he said, was due in part to the soil-conservation program which brought about increased production of cotton on the acres treated to soil conservation in the 1936 program, and in part from ideal weather conditions. These facts are cited to show the ineffectiveness of the proposed cotton-control program. The cotton crop for 1937 exceeds 18,500,000 bales. The carry-over amounted to 6,000,000 bales, making a total of 24,500,000 bales on hand. Of this enormous supply 6,000,000 bales will be used in this country during the next 12 months and approximately 4,400,000 bales will be sold in the foreign market. This will leave a carry-over on August 1, 1938, of more than 14,000,000 bales.

The program provided in the bill, as advocated by the Secretary of Agriculture, provides for the use of 28,000,000 acres for cotton production in 1938. It is estimated that this acreage will produce 12,000,000 bales. This amount plus the carry-over will provide a total supply of 26,000,000 bales at the end of the 1938 crop year.

What shall we do with the cotton? During the past 5 years our cotton exports have decreased from 8,000,000 bales to 4,400,000 bales. Foreign production of cotton has increased during the same period from 10,000,000 bales to 20,000,000 bales. Cotton authorities in the South are unanimous in the opinion that the cause of the enormous increase in foreign production of cotton, as well as the rapid loss of our foreign market, is due here to artificial interference on the part of the Government. The difficult situation confronting cotton farmers must be recognized by everyone, and drastic steps taken to revive world markets for cotton and to increase domestic consumption. Otherwise, neither legislative fiat, nor compulsory control, nor 9-cent loans and 3-cent subsidies can save the cotton South.

Cotton farmers complying with the program for 1938 will receive a 3-cent per pound subsidy on 65 percent of the 1937 crop which aggregated 18,500,000 bales. The sum of \$130,000,000 was provided for this purpose in the closing days of the last session. In addition to this subsidy, the cotton farmer will receive 2.4 cents per pound on the production of cotton on the allotted acreage for 1938 plus such other payments as Congress may authorize. Loans at the rate of 9 cents per pound are also being made on the 1937 crop, and a cotton farmer just can't afford to stay out of the program. However, continued payment of large subsidies will not solve the cotton problem.

RICE PROGRAM

The rice program is similar to the compulsory control of wheat with this exception. The buyer of contraband rice over and above the marketing quota must pay a penalty of one-fourth cent per pound if he makes a purchase, while the wheat farmer himself must pay the penalty.

CONSTITUTIONALITY OF COMPULSORY CONTROL

It is believed that in view of the decision of the Supreme Court in the *Butler case*, when passing upon the constitutionality of the Agricultural Adjustment Act, that the compulsory-control provisions of the proposed bill will be declared unconstitutional. We quote here some of the pertinent statements made by the Court with reference to the right of the Federal Government to control production of agriculture.

The Court said: "It is a statutory plan to regulate and control agricultural production, a matter beyond the powers delegated to the Federal Government." Also, "The tax, the appropriation of funds raised, and the direction for their disbursement are but parts of the plan. They are but means to an unconstitutional end." In referring to the Bankhead Compulsory Cotton Control Act with its penalty provision, the Court said: "The Congress has gone further and, in the Bankhead Cotton Act, used the taxing power in a more minatory fashion to compel submission. This progression only serves more fully to expose the coercive purpose * * *." Further: "Congress has no power to enforce its commands on the farmer to the end sought by the Agricultural Adjustment Act."

It is said that there are those who believe that certain proponents of this type of compulsory legislation (who are not members of Congress) are very anxious to have enacted into law legislation which is obviously unconstitutional, and which will be so declared by the highest Court, in order to provide new life for a continued attack upon the Supreme Court. This is not the way we should do business, for prejudice and class hatred of this character have no place in our American system if we are to continue as a free democracy. When changes are needed in our governmental system, the people can bring them about in a constitutional manner without the necessity of hatred or intimidation.

DISLOCATION OF AGRICULTURE

Agriculture in the United States, with its diversity of interests, is so delicately balanced that when hasty and artificial action is taken to change production programs in the aid of one section, other parts of the country are adversely affected. No one can object to the normal and natural expansion of the various types of agriculture in all parts of the country, but when this is done in a wholesale manner with Government subsidies, surely, those injured thereby, have a right to register a vigorous protest.

The program intended by the bill before us, as announced by the Secretary of Agriculture, contemplates the taking of 40,000,000 acres of cotton, tobacco, wheat, and corn land out of present cultivation, and the planting of said acres into clover, alfalfa, and other legumes, ostensibly for soil-building purposes. These are feed crops and it is natural to assume that they will not be wasted or destroyed, but fed to dairy cattle and other livestock. Dairying is now on the verge of national surplus production, and if hundreds of thousands of additional farmers are subsidized by the Federal Government to go into the dairy business, it will only take a few years to bring ruin to this industry in all parts of the country.

What has been said in the preceding paragraph with reference to dairying, applies with equal force to other branches of diversified agriculture engaged in production on a national scale.

The gentleman from Wisconsin, Mr. Boileau, will offer an amendment on the floor which seeks to prevent absolute dislocation of all diversified agriculture. The adoption of this amendment is urged, and the substance is here quoted for the convenience of the members.

BOILEAU AMENDMENT

Subsection (d) of section 2 of the pending bill which amends the Soil Conservation and Domestic Allotment Act provides as follows:

(d) Any payment or grant of aid under subsection (b) shall be conditioned upon the utilization of the land, with respect to which such payment is made, in conformity with farming practices which the Secretary finds tend to effectuate any one or more of the purposes specified in clause (1), (2), (3), (4), or (5) of section 7 (a).

Amendment offered by Mr. Boileau: Page 9, line 4, at the end of such subsection, strike out the period, insert a comma and add the following:

and (except for lands which the Secretary determines should not be utilized for the harvesting of crops but should be permanently used for grazing purposes only) shall be further conditioned upon the utilization of the land, with respect to which such payment is made, so that soil-building and soil-conserving crops planted or produced on lands normally used for the production of cotton, wheat, rice, tobacco, or field corn shall be used for the purpose of building and conserving the fertility of the soil, or for the production of agricultural commodities to be consumed on the farm, and not for market. As used in this subsection the term "for market" means for disposition by sale, barter, exchange or gift, or by feeding (in any form) to poultry or livestock which, or the products of which, are to be sold, bartered, exchanged, or given away; and such term shall not include consumption on the farm. An agricultural commodity shall be deemed consumed on the farm if consumed by the farmer's family, employees or household or by his work stock; or if fed to poultry or livestock on his farm and such poultry or livestock, or the products thereof, are to be consumed by his family, employees, or household.

DAIRYING

The production of milk and dairy products is the largest agricultural business in the United States. As compared with the five basic commodities covered by the proposed bill for the 1936-37 crop year, the following figures tell the story: Milk, \$1,761,000,000; cotton (lint and seed), \$947,797,000; corn, \$1,518,411,000; wheat, \$624,338,000; tobacco, \$269,061,000; rice, \$40,730,000.

The dairy industry received no benefits whatsoever from the operations of the Agricultural Adjustment Act or other New Deal legislation. Quite to the contrary, the dairy farmers of this country have been used as trading stock by the Administration in the carrying out of its reciprocal trade policy. Tariff duties have been slashed on dairy products and foreign farmers encouraged to increase their production for shipment into the United States in competition with domestic production. During the first 9 months of 1937, 10,148,000 pounds of butter and 42,000,000 pounds of cheese produced in foreign countries entered our ports for sale in this country. In the same period, several hundred million pounds of competitive oils and fats were imported to be used in competition with dairy products. The effect of these importations has been to reduce the price received by American dairy farmers for their products with a consequent loss in purchasing power.

No unit of agriculture has a greater purchasing power than the dairying industry. The dairy farmer has a daily cash income and he is generally a good spender when he has the money. The dairy group has asked very little from the New Deal administration. Their only request, which required no subsidy, was for the preservation of their American market. This has been denied to them, and instead of giving them relief, they have been bartered away.

If permanent farm legislation is to be adopted, as proposed in the pending bill, the dairy farmers demand the right to be included in the economic picture for agriculture. Each basic commodity covered by the bill has written its own ticket, and now, the following amendments are offered for adoption and inclusion in the bill as the permanent program for the dairy industry. The gentleman from Minnesota, Mr. Andresen, a member of the committee, will offer the amendments.

ANDRESEN DAIRY AMENDMENTS

SECTION. 1. The importation of agricultural products into the United States is hereby prohibited where the landed cost of such products plus the tariff duties are lower than the domestic cost of production.

The above amendment covers all farm products, since the dairy group is of the firm conviction that all branches of American agriculture are entitled to have the full benefit of the domestic market.

SEC. 2. The Secretary of State is hereby directed to discontinue the practice of binding on the free list or binding at the present rate of excise taxes, agricultural commodities imported into the United States. The Secretary of State is further authorized to advise the governments of Brazil and the Netherlands that at the expiration date of the respective trade agreements the concessions granted by the United States with reference to binding babassu oil and starches on the free list and freezing the excise tax on palm oil at 3 cents per pound will not be continued.

SEC. 3. That on and after 6 months from the enactment of this act, foreign shipments of dairy products into the United States are prohibited unless said dairy products have been produced from milk or cream of cows which are free from bovine tuberculosis.

The amendment designated as section 3, only seeks to compel foreign farmers who desire to ship their dairy products into the United States, to comply with the same sanitary regulations and laws as are in effect for American dairy farmers.

COST OF PROPOSED PROGRAM

In addition to the \$500,000,000 authorization included in the Soil Conservation Program, it is roughly estimated that \$200,000,000 more will be required to carry out the new benefits of H. R. 8505. This legislation does not have a processing tax, and whatever funds are provided must come from general revenues.

CONCLUSION

Time and space will not permit a complete discussion of all of the ramifications of the Agricultural Adjustment Act of 1937. It is to be hoped that the membership of the House will take the time to inspect its many complicated provisions. Suffice to say, we firmly believe that the compulsory control programs outlined in the bill are unconstitutional, unsound, un-American, and will work to the detriment of American agriculture.

It is recommended that any permanent farm program be based on voluntary cooperation under farmer control; that the family sized farm be given preference over large commercial operators; that the Soil Conservation Act be continued; that the principles of the McNary-Haugen bill be adopted so as to provide for the revival of our export market for surplus commodities, and a domestic price level covering products used in home consumption; that the American market be

guaranteed to the American farmer to the limit of production; that a permanent loan policy for crop storage on farms be provided; and that in the drafting of a permanent program all branches of agriculture be given equal consideration.

The welfare of agriculture is not a political matter, and therefore all groups should join in the drafting of sound and beneficial legislation in accordance with American ideals and standards.

Respectfully submitted.

AUGUST H. ANDRESEN.

NOVEMBER 27, 1937.

We concur in the views expressed in the above minority report.

J. ROLAND KINZER.

CHARLES W. TOBEY.

CLARE E. HOFFMAN.

BERT LORD.

ADDITIONAL VIEWS OF MR. COFFEE

I voted to report H. R. 8505 to the House for consideration in the hope that the bill could be amended on the floor to strike out the objectionable and compulsory features embraced in the parts relating to marketing quotas and penalties.

At the appropriate time I expect to offer the following amendment pertaining to corn and wheat:

In title III strike out part II (relating to marketing quotas on field corn) and part III (relating to marketing quotas on wheat), and in section 381 strike out "field corn, wheat."

Unless this amendment carries, a farmer, whether a cooperator or a noncooperator in the soil-conservation program, who sold or fed to his livestock wheat or corn (in the commercial area) in excess of his marketing quota, would be subject to a penalty of 15 cents a bushel.

In the case of corn, if reasonable loans are provided to enable the farmers to store their corn on the farms during an abnormal crop year, enough corn will be stored voluntarily to prevent forced liquidation and demoralized prices. The Government has not lost a dollar on these voluntary corn loans—90 percent of the corn is fed to livestock. The average farmer is more interested in the price of hogs and cattle than he is in the price of corn. The effect of any corn program on the livestock producer and feeder must be considered. To maintain an artificially high price for corn with no provision to maintain prices for livestock or livestock products, would adversely affect the producers of 57 percent of the national cash farm income.

The weather is the chief factor in determining corn production, not the number of acres planted. Marketing quotas on corn can accomplish no beneficial results. On the contrary, it would jeopardize the entire soil-conservation program.

How could such a provision be enforced in a Democracy such as ours?

In my judgment these marketing quotas, based on a referendum of questionable constitutionality, imposing penalties that will clog the courts with civil actions, will harm rather than benefit agriculture.

Under the bill soil-conservation payments and any other supplementary funds are denied farmers who do not comply with the soil-conservation program. This is sufficient to gain compliance without the necessity of drastic penalties.

The case of wheat is in many respects similar to corn. The average wheat farmer is not equipped to store his excess wheat on the farm. If he should sell it, he would be penalized 15 cents a bushel. If he should send it to some terminal elevator for storage under the quota provisions, it would probably cost him about 12 cents a bushel per year. If he should keep it on the farm, it would in all probability deteriorate. In either case it is in the "show case" so far as the market is concerned, and as a consequence marketing quotas on wheat would be of little benefit because most of this surplus must eventually go into the export markets anyway.

The farmer is entitled to his fair share of the national income. Marketing quotas and penalties, however, will not give it to him.

HARRY B. COFFEE.

MINORITY VIEWS OF MR. BOILEAU

This bill (H. R. 8505) is aimed to assist those farmers who normally produce cotton, wheat, corn, tobacco, and rice and utterly disregards the welfare of farmers who produce other agricultural commodities. The underlying philosophy of this bill is that the production of the five commodities above mentioned can be made profitable if forty or fifty million acres of land normally used for the production of these five commodities are diverted to the production of other commodities. It is intended that surpluses over the domestic and export requirements, will be thus taken off the market in the hope that such action will be followed by an increase in price. The bill contemplates payments to farmers who divert acreage to the production of so-called soil-conserving crops without placing any restrictions upon the use of crops produced under such Government subsidy. The soil-conserving crops which the bill would require to be planted on lands normally producing cotton, wheat, corn, tobacco, and rice, are grasses and legumes—crops used exclusively for feed for livestock, in general, and dairy cows in particular. In other words, farmers who produce the crops designated for special legislative favor will be paid hundreds of millions of dollars as a subsidy to enable them to compete, primarily, with dairy farmers. The bill attempts to improve conditions among some farmers in a way that will ruin another and perhaps larger group of farmers.

The dairy industry does not object to farmers from any section of the country going into the dairy business. That is their right as American citizens. The dairy industry does object, however, to the Federal Government subsidizing any group of farmers to compete with them, especially when such subsidized dairying will result in increased production and will lead directly to the creation of vast surpluses which will demoralize the market for dairy products.

It is recognized that there are millions of acres of lands now under cultivation which should never have been put under the plow. The dairy industry is willing that such lands be restored to their proper use and does not object to having such lands used permanently for grazing purposes. The dairy industry also recognizes the right of persons who divert acreages normally used for the production of so-called soil-depleting crops, to produce any crops for use by the farmer and his household for consumption on the farm, including the production of livestock and its products for home consumption. However, the dairy industry is absolutely opposed to the use of such lands for the production of other crops to be placed upon the market, including livestock and its products. In other words, if the Federal Government is going to pay farmers to restrict their production of certain commodities, these same farmers should not be permitted to increase their production of other commodities of which there is already a sufficient supply in the country.

There are no benefits in this bill for the producers of commodities other than the five hereinbefore referred to. As the bill now stands it will result in immeasurable damage to the producers of other farm commodities. Therefore, as a matter of simple justice the following amendment should be written into the bill in order to give some slight

protection to the producers of agricultural commodities that are not singled out for special favor in this bill:

On page 9, line 4, at the end of subsection (d) of section 2, which provides "(d) Any payment or grant of aid under subsection (b) shall be conditioned upon the utilization of the land, with respect to which such payment is made, in conformity with farming practices which the Secretary finds tend to effectuate any one or more of the purposes specified in clause (1), (2), (3), (4), or (5) of section 7 (a)", strike out the period, insert a comma, and add the following:

and (except for lands which the Secretary determines should not be utilized for the harvesting of crops but should be permanently used for grazing purposes only) shall be further conditioned upon the utilization of the land, with respect to which such payment is made, so that soil building and soil conserving crops planted or produced on lands normally used for the production of cotton, wheat, rice, tobacco or field corn shall be used for the purpose of building and conserving the fertility of the soil, or for the production of agricultural commodities to be consumed on the farm, and not for market. As used in this subsection the term "for market" means for disposition by sale, barter, exchange or gift, or by feeding (in any form) to poultry or livestock which, or the products of which, are to be sold, bartered, exchanged, or given away; and such term shall not include consumption on the farm. An agricultural commodity shall be deemed consumed on the farm if consumed by the farmer's family, employees, or household or by his work stock; or if fed to poultry or livestock on his farm and such poultry or livestock, or the products thereof, are to be consumed by his family, employees, or household.

Unless this amendment is adopted, the bill should be sent back to the Committee on Agriculture with instructions to write an agricultural program that will be fair and just to all farmers.

GERALD J. BOILEAU.

